SENATE—*Tuesday, March 12, 1968*

The Senate met at 11 o'clock a.m., and was called to order by Hon. QUENTIN N. BURDICK, a Senator from the State of North Dakota.

Rev. William Wesley Dodge, minister, Congress Heights Methodist Church, Washington, D.C., offered the following prayer:

Eternal God, our Father, Thou who art the source of all wisdom and righteous authority, we turn to Thee in this hour for guidance and strength. We confess that often we have sought an authority for ourselves irrespective of truth in following earthly messiahs whose ways are not Thy way and whose thoughts are not Thy thought. We ask Thy blessing upon these who lead this our Nation, under God, in this crucial day of decision in matters of national and international concern for the well-being of all mankind. May each of us be worthy of the high trusteeship of power and of opportunity for good works which Thou hast entrusted to us. We seek Thy forgiveness for thoughts and deeds which have in any way retarded the fulfillment of Thy will in the affairs of our personal and corporate life. In and through the crisis of these days and years we ask Thee to show us the way, the truth, and the life as revealed to all the world in Thy Son, Jesus Christ our Lord. This we humbly ask of Thee in the name of Him who for the joy that was set before Him despised the shame and endured the cross. Amen.

DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., March 12, 1968.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. QUENTIN N. BURDICK, a Senator from the State of North Dakota, to perform the duties of the Chair during my absence.

CARL HAYDEN.
President pro tempore.

Mr. BURDICK thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Monday, March 11, 1968, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Jones, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, announced that the House had passed a bill (H.R. 13058) to repeal certain acts relating to containers for fruits and vegetables, and for other purposes, in which it requested the concurrence of the Senate.

HOUSE BILL REFERRED

The bill (H.R. 13058) to repeal certain acts relating to containers for fruits and vegetables, and for other purposes, was read twice by its title and referred to the Committee on Commerce.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider nominations on the Executive Calendar.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

CORPORATION FOR PUBLIC BROADCASTING

The assistant legislative clerk proceeded to read sundry nominations to the Board of Directors of the Corporation for Public Broadcasting.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the nominations be considered en bloc.

The ACTING PRESIDENT pro tempore. Without objection, the nominations are considered en bloc.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of the nominations.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE MESSAGES REFERRED

The ACTING PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to, and the Senate resumed the consideration of legislative business.

RECOGNITION OF SENATOR YOUNG OF OHIO

The ACTING PRESIDENT pro tempore. Under the previous order, the Chair recognizes the Senator from Ohio [Mr. YOUNG].

PRESIDENT JOHNSON'S DUTY TO THE AMERICAN PEOPLE

Mr. YOUNG of Ohio. Mr. President, the American people have every reason to be apprehensive that President Johnson will again yield to the determination of the generals of our Joint Chiefs of Staff to further escalate and expand our involvement in the civil war in South Vietnam. Gen. Earle G. Wheeler, Chairman of the Joint Chiefs of Staff, recently returned from his assignment to survey the situation of our forces and of the entire war since the debacle and defeats sustained in the Tet lunar offensive when the VC assailed 38 Provincial capitals, capturing and holding most of these capitals including Saigon for a number of days, and, in fact, Hue the beautiful ancient capital of Vietnam and most important city in the northern part of South Vietnam for more than a month. Our forces have been on the defensive repelling onslaughts of the VC.

Now it comes from authoritative sources that General Wheeler has recommended to President Johnson that 206,000 additional American soldiers must be sent as soon as possible into combat in Vietnam.

The makers of our Constitution provided for three equal and coordinate branches of our Federal Government—legislative, executive, and judicial. Gen. George Washington was President of the Constitutional Convention. Benjamin Franklin, at 81, the oldest member, and James Madison one of the youngest members. Not only did the makers of our Constitution provide three equal coordinate branches of our Government, but in writing the Constitution they placed first the legislative branch, then the executive and following that the judicial.

It was never meant that the President should be a dictator. It was never meant that the military leaders in the executive establishment of our Government should have authority supreme over civilians in our Government. In fact, in the Constitution it is specifically provided that civilian authority must always be supreme over military authority. Yet we have witnessed in the past several years that the generals seem to dominate and that our President has yielded to them. Unfortunately, President Johnson has seemed to regard as sacrosanct the wishes, decisions, and advice of the generals of our Joint Chiefs of Staff and has acceded to and allowed their views in enlarging and escalating our involvement in Vietnam.

It is terrifying to Americans generally who now know that in 1967 more Americans were killed and wounded in combat in South Vietnam than the total of Americans killed and wounded in the long period extending from January 1, 1961, to December 31, 1966. Now, during the first 2 months of 1968, more than twice as many of the finest youth of America have been killed and wounded in combat in Vietnam than in the first 2 months of last year.

General Wheeler and the other generals at the top of that military-industrial complex, against which President Eisenhower warned in his farewell statement to the American people upon leaving the White House, now propose unlimited bombing of North Vietnam, bombing the port of Haiphong, for example, and even the Red River dams thereby flooding and destroying the humble homes of thousands of peasants.

It is said that those generals are now clamoring for an amphibious landing of our ground forces in North Vietnam and to drive onward to capture Hanoi and sweep on to the Chinese border. They are talking among themselves about another Inchon landing and turning defeat into victory. This is all frightening and terrifying. Very definitely, before anything of this sort is perpetrated, President Johnson owes the duty and obligation to appear before a joint session of the Congress and inform the Congress and the country regarding the situation and why 100,000 or 200,000 more fighting men should be sent to Vietnam reinforcing 525,000 already there. He owes the obligation and duty to consult with the Congress of the United States before under his leadership the conduct and operation of the American war has expanded and the character of our warfare in North Vietnam and over North Vietnam drastically changes and expands.

This is a time of grave peril. It is also a time for truth and reappraisal. In Vietnam we now have 525,000 men of our Armed Forces. President Johnson from late 1963 to this time has intervened in a civil war in South Vietnam with steadily increasing forces of fighting men. From 685 military advisers we had in South Vietnam at the time President Eisenhower left the White House to approximately 5,000 military advisers in South Vietnam at the time President Kennedy was assassinated, this administration has converted this civil war into an American ground war in Southeast Asia.

We Americans have escalated and expanded our combat strength overseas to the extent that one-third of our naval power is off the coast of South Vietnam in the China Sea and in the Tonkin Gulf. More than half of our air power has been committed to combat from our bases in Thailand, Okinawa, South Vietnam, Guam, and from our carriers at sea. In addition to 525,000 American soldiers and marines in South Vietnam, 45,000 men of our Armed Forces, mostly airmen, are based in Thailand. In addition, 50,000 South Koreans are fighting alongside Americans in South Vietnam, including two of the finest combat divisions in the world, the South Korean Tiger and Blue Dragon divisions.

Now, according to statements coming from members of the Joint Chiefs of Staff and reported in the press and by radio and television commentators, Gen. William C. Westmoreland is seeking 206,000 additional American soldiers and marines. He claims this would suffice to enable his forces to take the offensive in South Vietnam instead of being beleaguered in various enclaves and outposts from the demilitarized zone, Khesanh, Danang, and southward down the entire area of South Vietnam into the Mekong Delta which has admittedly for the most part been taken over by the VC.

All this portends death for thousands of our youngsters, many of them draftees of 18 and 19 committed to combat in South Vietnam following 4 months' training in the United States. All this portends promotions for colonels and generals, and who knows but that this huge war we are waging may eventually lead to a general becoming President of the United States. Parenthetically, the whispered slogan "Westy for President" has not found any echo in Washington since the VC lunar offensive.

In my considered judgment President Johnson would manifest wisdom and humanity if he would give foremost consideration to disengagement from the American war we are now waging in Vietnam, instead of proposing escalation and expansion of our participation in this conflict, at this time when the militarist regime of Saigon has demonstrated its inability to defend its own capital city and the 44 provinces of South Vietnam. I hope our President will declare an unconditional halt to the bombing of North Vietnam and continue that bombing pause of a period of 15 days if necessary. Incidentally that would about bring us to the end of the monsoon season in North Vietnam and he would do well to accompany his announcement of a bombing halt with a declaration of his hope, that during the period he was ordering this unconditional bombing halt the National Liberation Front of South Vietnam an officials of Hanoi would immediately do what it has been stated they will do and act to bring about a meeting for the purpose of securing a ceasefire and an armistice; and that both sides in this 15-day period would do no more than transport the normal quantity of supplies to fighting men of both sides stationed in South Vietnam; and that both agree not to reinforce the fighting forces during the 15-day pause or halt.

Seeking to resolve this terrible conflict is the most important objective our President could possibly have. Therefore, of course, he should consult with both Houses of the Congress before he gives any real consideration to sending overseas to Southeast Asia 100,000 or 200,000 additional men of our Armed Forces. Were he to act unilaterally, that would be the action of a dictator and not an elected President. Furthermore, if he were to take such an attitude it could be said of him as it was said of a dictator who lived many centuries ago, in fact before the birth of our Savior, "Upon what meat does this our Caesar feed, that he has grown so great?"

The VC have apparently isolated and encircled not only our marine outpost at Khesanh but also other marine-held outposts in Vietnam. To mention a few, Con Tien, Dakto, Camlo, The Rockpile, so-called, and marine centers north of Danang. We Americans can well question the strategy and leadership of General Westmoreland in permitting 5,000 marines to be surrounded and encircled at Khesanh, perhaps another 5,000 at Con Tien, 4,000 who were fighting at Hue and a few thousand at The Rockpile. There are more than 83,000 marines in Vietnam.

These are trained amphibious fighters, the finest fighting men in the world. Instead of being at the van of an offensive in the Mekong Delta and elsewhere, they have been on the defensive in fortified enclaves at places such as Camlo, The Rockpile, Khesanh and other inland positions below the demilitarized zone.

Some units of marines were detailed to pacification work. Relief forces were brought by our generals from the central highlands and even the Mekong Delta seeking to isolate and encircle the encirclers at Khe Sanh and elsewhere. Then with our forces massed to protect these enclaves, the Vietcong struck practically everywhere in South Vietnam except in places where our intelligence officers and our generals in their briefings and public statements predicted, changing the entire character of the war and regaining huge populated areas in South Vietnam, releasing thousands of prisoners from jails, enrolling them in their armed forces, drafting thousands of youngsters wherever they found them, seizing tons of rice and collecting taxes.

President Johnson owes it to the country to go before the Congress before expanding and escalating the war instead of following the proven bad advice of his generals.

It may be the intention of President Johnson to call to the White House a few chairmen and ranking majority and minority members of the Senate and House Committees on Appropriations, Armed Services, and of the Senate Foreign Relations and House Foreign Affairs Committees and inform what is called the leadership of our direful situation in waging a major ground war in Southeast Asia and the need for escalating and expanding it instead of disengaging seeking to test the good faith of Hanoi by announcing an unconditional halt of bombing of North Vietnam.

This is not sufficient. The American people are entitled to know. It is sad to report it but we are at the crossroads, one way leading toward an armistice and eventually peace, the other surely leading toward giving in to the generals and a land invasion of North Vietnam comparable to the Inchon landing and bringing on a confrontation on battlefields with huge ground forces of Communist China.

President Johnson, with his background as a great legislator, should have recalled to him that Edmund Burke, England's greatest parliamentarian, said:

> War never leaves where it found a nation.

It would be well, too, for President Johnson to bear in mind that Sallust, the great Roman historian, centuries before the birth of our Saviour, wrote:

> It is always easy to begin a war, but very difficult to stop one; since its beginning and end are not under the control of the same man.

Also, at a time when the Joint Chiefs of Staff have signed a promise to the President that Khe Sanh will not be overrun, President Johnson, as Commander in Chief of our Armed Forces, would do well to recall that Martin Luther said:

> War is the greatest plague that can afflict humanity. It destroys states. It destroys families. Any scourge is preferable to it."

In addition, as a teacher of American history, President Johnson should recall that Benjamin Franklin, who at 81 was the oldest member of our Constitutional Convention, wrote:

There never was a good war or a bad peace.

Carl Schurz, a penniless immigrant, who had fought in the unsuccessful revolt against the imperial despot in Germany in 1848, later became a general officer in the Union Army in the War Between the States and then afterward a Member of Congress said:

Our country, right or wrong. When right, to be kept right; when wrong, to be put right.

It is unsatisfactory that our President consult only with "Senate leadership and House leadership" so-called. He should go before the American people and before 100 Members of the Senate of the United States and all Members of the House of Representatives. He owes it to the American people and to himself to do this before committing an additional 100,000 or 200,000 of the flower of American manhood to combat in South Vietnam, a small area 10,000 miles distant from our Nation and of no strategic or economic importance whatever to the defense of our country.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Committee on Foreign Relations and the Subcommittee on Housing and Urban Affairs of the Committee on Banking and Currency be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that a member of the staff of the Senator from California [Mr. KUCHEL], Mr. John E. "Duke" Merriam, be given the privilege of the floor today during the consideration of the gold cover measure.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ETC.

The ACTING PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT ON REAPPORTIONMENT OF AN APPROPRIATION

A letter from the Director, Bureau of the Budget, Executive Office of the President, reporting, pursuant to law, that the appropriation to the Department of Health, Education, and Welfare under the "Limitation on salaries and expenses (trust fund)," Social Security Administration, for the fiscal year 1968 had been apportioned on a basis indicating a need for a supplemental estimate of appropriations; to the Committee on Appropriations.

REPORT OF COMPTROLLER GENERAL

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on internal audit activities in the Department of Defense, dated March 8, 1968 (with an accompanying report); to the Committee on Government Operations.

REPORT OF CLAIMS SETTLED BY AGENCY FOR INTERNATIONAL DEVELOPMENT

A letter from the Director, Congressional Liaison, Agency for International Development, Department of State, transmitting, pursuant to law, a report of claims settled by the Agency during the period January 1, 1967 through December 31, 1967 (with an accompanying report); to the Committee on the Judiciary.

PROPOSED EXTENSION OF SOLID WASTE DISPOSAL ACT

A letter from the Acting Secretary, Department of Health, Education, and Welfare, transmitting a draft of proposed legislation to protect the public health by extending for 1 year the provisions on research and assistance for State and interstate planning for solid waste disposal, and for other purposes; to the Committee on Public Works.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. JORDAN of Idaho:

S. 3138. A bill for the relief of Jose Luis Gorostiza;

S. 3139. A bill for the relief of Juan Cruz Zubizarreta;

S. 3140. A bill for the relief of Tiburcio Tellechea;

S. 3141. A bill for the relief of Pablo Jayo; and

S. 3142. A bill for the relief of Lucio Irazoqui; to the Committee on the Judiciary.

By Mr. HOLLAND:

S. 3143. A bill to amend the Commodity Exchange Act, as amended, to make frozen concentrated orange juice subject to the provisions of such act; to the Committee on Agriculture and Forestry.

By Mr. MAGNUSON:

S. 3144. A bill to amend the Marine Resources and Engineering Development Act of 1966 and the National Sea Grant College and Program Act of 1966 in order to provide financing for programs under such acts; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bill, which appears under a separate heading.)

By Mr. COTTON:

S. 3145. A bill to impose a duty of 10 cents per pound on fresh or frozen blueberries imported into the United States; to the Committee on Finance.

By Mr. HILL:

S. 3146. A bill to protect the public health by amending the Federal Food, Drug, and Cosmetic Act to provide for the U.S. Compendium of Drugs which lists all prescription drugs under their generic names together with reliable, complete, and readily accessible prescribing information and includes brand names, suppliers, and a price information supplement, and to provide for distribution of the compendium to physicians and others, and for other purposes; and

S. 3147. A bill to amend the Public Health Service Act so as to help secure safe community water supplies, and for other purposes; to the Committee on Labor and Public Welfare.

S. 3144—INTRODUCTION OF BILL RELATING TO MARINE RESOURCES FUND

Mr. MAGNUSON. Mr. President, I am today introducing a bill, for appropriate reference, to amend the Marine Resources and Engineering Development Act and title II of that act, the National Sea Grant College and Program Act.

The bill would amend this legislation in two particulars.

First, it would earmark portions of the Federal revenue from Outer Continental Shelf oil leases for exploration and mapping of the marine environment. Second, it would earmark funds for enlarging the sea grant college program.

This proposed legislation is predicated on my conviction that we should reinvest at least part of the revenues the Government obtains from the Continental Shelf and Outer Continental Shelf in programs that will expand the resources that provide these revenues. This is the practical and sensible thing to do; it is sound in business and equally sound in government.

The bill would create a marine resources fund of which $25 million would be made available annually for appropriation for marine exploration and mapping.

They would thus assist in locating new oil, gas, and mineral deposits which would further stimulate industry to invest in their development.

Such a program will produce major results and benefits, increase not only our knowledge of the waters that surround our continent but of our latent wealth in marine resources. It will provide new incentives to marine and offshore industries.

One of the great needs in the field of ocean exploration is scientific and technological manpower.

The sea grant program, if adequately financed, has a tremendous potential for providing the specialized manpower that will be needed in the years ahead and particularly to reap maximum benefits from ocean exploration.

The bill I have introduced today provides a firm basis for funding this program.

The oceans and the lands beneath them are already producing great wealth. Reinvesting a portion of this wealth in the oceans will produce a greater wealth of resources to the benefit of our Nation and mankind.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3144) to amend the Marine Resources and Engineering Development Act of 1966 and the National Sea Grant College and Program Act of 1966 in order to provide financing for programs under such acts, introduced by Mr. MAGNUSON, was received, read twice by its title, and referred to the Committee on Commerce.

ADDITIONAL COSPONSORS OF BILL, JOINT RESOLUTION, AND CONCURRENT RESOLUTION

Mr. BIBLE. Mr. President, I ask unanimous consent that, at its next printing, the names of the Senator from Washington [Mr. MAGNUSON], the Senators from Utah [Mr. BENNETT and Mr. MOSS] and the Senator from Virginia [Mr. SPONG] be added as cosponsors of my bill (S. 2951) to determine the policy of the Congress with respect to the authority of the several States to control and regulate fish and wildlife within their territorial boundaries.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, on behalf of the senior Senator from North Carolina [Mr. ERVIN] I ask unanimous consent that, at its next printing, the names of the Senator from Arizona [Mr. FANNIN] and the Senator from Colorado [Mr. ALLOTT] be added as cosponsors of the joint resolution (S.J. Res. 150) to designate the month of May 1968 as "National Arthritis Month."

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MILLER. Mr. President, on behalf of the Senator from Oregon [Mr. HATFIELD] I ask unanimous consent that at its next printing, the name of the Senator from Indiana [Mr. HARTKE] be added as a cosponsor to the concurrent resolution (S. Con. Res. 63) relating to the extension of the ground war in Vietnam.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

PROVISION OF HOUSING FOR LOW-AND MODERATE-INCOME FAMILIES—AMENDMENTS

AMENDMENT NO. 607

Mr. HARTKE submitted amendments, intended to be proposed by him, to the bill (S. 3029) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, which were referred to the Committee on Banking and Currency, and ordered to be printed.

THE ELIMINATION OF RESERVE REQUIREMENTS—AMENDMENTS

AMENDMENT NO. 608

Mr. FANNIN submitted amendments, intended to be proposed by him, to the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890, which were ordered to lie on the table and to be printed.

(See reference to the above amendment when submitted by Mr. FANNIN, which appears under a separate heading.)

AMENDMENT NO. 609

Mr. ALLOTT submitted amendments, intended to be proposed by him, to House bill 14743, supra, which were ordered to lie on the table and to be printed.

AMENDMENT NO. 610

Mr. DOMINICK submitted an amendment, intended to be proposed by him, to House bill 14743, supra, which was ordered to lie on the table and to be printed.

(See reference to the above amendment when submitted by Mr. DOMINICK, which appears under a separate heading.)

AMENDMENT NO. 611

Mr. MILLER. Mr. President, I submit an amendment, intended to be proposed by me, to House bill 14743, supra, and I ask unanimous consent that the amendment be printed in the RECORD.

The ACTING PRESIDENT pro tempore. The amendment will be received, printed, and will lie on the table; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 611) is as follows:

Add the following section at the end of the bill:

"Except for increased costs (military and other) of the Vietnam war, other emergency defense needs, and increased interest on the public debt that may exceed estimates set forth therefor in the budget for 1969 (H. Doc. 225), net aggregate expenditure of Federal funds (as shown on page 542 of H. Doc. 225, Part 1) during the fiscal year ending June 30, 1969, shall not exceed $139,400,000,000; *Provided*, That action to enact a ten per cent income tax surcharge shall be taken within thirty days from date of enactment of this Act."

AMENDMENT NO. 612

Mr. CHURCH proposed an amendment to House bill 14743, supra, which was ordered to be printed.

(See reference to the above amendment when proposed by Mr. CHURCH, which appears under a separate heading.)

PROVISION OF HOUSING FOR LOW-AND MODERATE-INCOME FAMILIES—AMENDMENTS

AMENDMENT NO. 613

Mr. PROXMIRE. Mr. President, I was delighted by the President's recent decision to recommend a 10-year housing program to realize the goal set forth in the Housing Act of 1949—"a decent home and a suitable living environment" for every family.

Despite the fact that this goal was declared in 1949, we are still as far away from achieving it as ever. If we are to eliminate slums and substandard housing units and construct the decent, safe, and sanitary housing units required, we must have a long-range and realistic plan for realizing the goal. As I understand it, this is the aim of the President's proposed program for the construction of 6 million federally assisted housing units for low- and moderate-income families over a 10-year period.

Mr. President, I believe this 10-year program must be given sufficient statutory recognition to insure that it is an actual working goal and not just a statement of desire. I am, therefore, submitting an amendment to S. 3029, the administration's omnibus housing bill, to require that the President prepare a specific 10-year housing program for submission to the Congress. The proposed 10-year program would be contained in a formal report to be made to Congress next January. The program would show the number of federally assisted housing units to be constructed each year under each of the various programs. The plan would also show the annual appropriations required by the Federal Government.

Each year thereafter the President would submit a revised annual report to Congress. In this report, he would compare the actual progress obtained measured against the goals of the plan. If for any reason the goals of the plan are not being attained, the President would be required to specify the reasons and outline the actions necessary for bringing the plan back on schedule.

An annual report will serve to focus the attention of Congress and the executive branch upon our long-term housing program. It would have the same function and the same status as the President's Economic Report. It would make more firm the commitment of our Nation to a decent, safe and sanitary home for every family.

Mr. President, the proposed 10-year program and the submission of an annual report are merely standard business techniques which any hard-headed business manager would use in managing the affairs of his corporation. Many of the most successful corporations in our dynamic private economy have 10- or even 20-year capital improvement programs. The board of directors of these corporations are not satisfied with haphazard or slipshod programs subject to sudden spurts of activity. The most successful corporations require precise quantitative goals and hold those in charge responsible for meeting these goals. These are the same techniques which Secretary McNamara has used to revolutionize management in the Pentagon.

Mr. President, I believe Congress should use these same techniques in holding the executive branch accountable for its actions. I particularly believe the congressional committees of Congress can exercise more effective administrative oversight of their respective departments if they have a specific long-range plan against which to measure the agencies annual activities.

Mr. President, I ask unanimous consent that this amendment be printed in the RECORD.

The ACTING PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 613) was referred to the Committee on Banking and Currency, as follows:

On page 145, after line 18, insert the following:

"TITLE XI—TEN-YEAR HOUSING PROGRAM

"DECLARATION OF PURPOSE

"SEC. 1101. The Congress finds and declares that the national commitment to the goal of 'a decent home and a suitable living environment for every American family', as set forth in section 2 of the Housing Act of 1949, can be fulfilled in a ten-year period by the effective utilization, in accordance with a definite plan, of the available resources and capabilities existing in the public and private sectors of the economy. It is the purpose of this title to provide for the development of such a plan and to require periodic reporting with respect to the execution thereof.

"REPORT OUTLINING PLAN

"SEC. 1102. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1101. Such plan shall—

"(1) indicate the number of new or rehabilitated housing units which it is anticipated will be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will be provided under each of the various Federal programs designed to assist in the provision of housing:

"(2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

"(3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

"(4) make recommendations with respect to any legislative action which is necessary or desirable to achieve the objectives of the plan; and

"(5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

"PERIODIC REPORTS

"SEC. 1103. On January 15, 1970, and on each succeeding year through 1978, the President shall submit to the Congress a report which shall—

"(1) compare the results achieved during the preceding fiscal year for the completion of new or rehabilitated housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

"(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

"(3) project residential mortgage market needs and prospects for the coming calendar year, including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds during such period, in order to achieve the objectives of the plan;

"(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

"(5) make recommendations with respect to any additional legislative action which is necessary or desirable to achieve the objectives of the plan; and

"(6) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

"FINAL REPORT

"SEC. 1104. On January 15, 1979, the President shall submit to the Congress a final report showing in detail the extent to which the objectives of the plan have been realized. If such objectives have not been achieved, such report shall contain an analysis of the reasons therefor, together with such recommendations as the President deems advisable for achieving such objectives at the earliest possible date."

On page 145, line 19, strike out "XI" and insert "XII".

Redesignate succeeding sections accordingly.

NOTICE OF HEARINGS ON OMBUDSMAN PILOT PROJECT BILL

Mr. LONG of Missouri. Mr. President, on March 27 and 28, the Senate Subcommittee on Administrative Practice and Procedure will hold public hearings in St. Louis, Mo., on S. 3123, a bill to establish a 2-year pilot project of the office of administrative ombudsman.

The hearings will be held in courtroom No. 2, U.S. Court and Customs House, 1114 Market Street, and will begin at 10 a.m. on both days.

RAIL-WATER COOPERATION IN AGRICULTURAL MARKETING

Mr. DIRKSEN. Mr. President, the University of Illinois has long been noted as an institution to which we can all look for new and constructive ideas helpful to the economy. Without our great State universities as a seedbed for new ideas, our country would, indeed, be poorer both materially and spiritually. It is no surprise therefore to see the 10th Agricultural Industries Forum at Urbana produce some constructive new suggestions for better cooperation between rail and water services. I would like to share with Senators the paper entitled "Impact of Rail-Water Cooperation on Agricultural Marketing," delivered by A. L. Mechling, executive vice president of the A. L. Mechling Barge Line Co. of Joliet, Ill., and ask unanimous consent that it be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

IMPACT OF RAIL-WATER COOPERATION ON AGRICULTURAL MARKETING

(Remarks of F. A. Mechling, executive vice president, A. L. Mechling Barge Lines, Inc., at the 10th Agricultural Industries Forum, University of Illinois, Urbana, Ill., January 31, 1968)

All discussions of grain transportation rates of the future must take into account the enormous expansion of grain production expected in the next few years. In the middle of 1967, the President's National Advisory Commission on Food and Fiber reported that the world food deficit in the next decade could well become too large for the capabilities of the major grain exporting countries. The world's population is now at 3 billion. By 1980 it is expected to reach 4.3 billion, an increase of more than a third in only 12 years.

Today's U.S. production is about 165 million tons of grain, of which about 38 million tons is exported. Production is expected to reach 273 to 289 million tons by 1980, with about 80 million tons exported. Large as such exports sound by present standards, far more may be required to help meet urgent world needs.

I stress this background because, when we talk about trends in rates, we also have to think about where we are going to get the funds to purchase greatly expanded capacity. Every rate has to answer the question: will it provide the earnings necessary to buy the freight cars, barges and trucks needed to do the job? There is considerable concern about the question of future capacity. Obviously, in the long run, more trucks, more freight cars and more barges are urgently needed. But mere expansion is not enough. There is also the problem of off-setting rising costs of wages and materials and a strong inflationary trend. The maintenance of present economical rates on agricultural products and any hope of future rate reductions can only come from higher productivity. This in turn is a function of better technology and improved methods of operation. Our objective must be to extract the maximum efficiency from the transport system as a whole.

Increasingly, I think, more productive operations require adopting a "systems" approach to transportation, coordinating the best efficiencies of the major modes. For a variety of historic reasons, little attention has been given to improving the coordination of water and rail. This could turn out to be a major weapon in combatting the inexorable march of rising costs.

I am not primarily concerned today with current intermodal controversies, but rather with how to start building a structure for the future so that the transportation industry, working together as a system, can be organized in the most efficient way to handle the mountainous tasks ahead. We can no longer afford old modal blinders. We must find a way to adopt a much more objective approach to traffic routing so that we can determine, not the best private advantage of the trucking companies, the barge companies, or the railroad companies, but how the best efficiencies of all three can be fitted together, in the interest of the most economical utilization of transport resources. Transportation costs have become so large a part of total costs that there is legitimate public concern about the overall efficiency of the transportation industry. Thus if we do not promote intermodal coordination on our own terms, it is probable that the Government will do it for us on terms we may not like. In my judgment, we will find that fitting together the best efficiencies of the different modes will also mean improvement in earnings for everybody.

Anyone studying grain rate changes in the past 10 years cannot help but be impressed by the fact that the stage is being set for coordnation of service between the different modes. The complex grain rate structures and extra services once so effective in tying grain transportation to one mode are being supplemented by "bare bones" transportation rates. This change has been called a trend to "a la carte" transportation. The rate covers just what the shipper wants and no more.

Stripping transportation service on grain to the "bare bones" and charging extra for extra services as desired gives shippers a new opportunity to assemble rail, barge and truck services as their interests dictate.

Equally important as an encouragement to coordination of service is the trend to higher volumes in the handling of grain. Where once elevators were 5 to 7 miles apart to accommodate the range of a horse drawn wagon, they now are further apart to accommodate truck ranges and draw from much larger areas. This means larger volumes of grain are available for movement from major interior terminals and the advantages of lower unit cost in the terminal-to-terminal handling of larger volumes can be achieved.

A major reason for taking a new look at water and rail coordination is the breakthrough to more economical operations that has taken place on the rivers in the 1960's. More powerful towboats, larger barges, larger tows of barges, and more efficient hull designs have been put into service. The dramatic result is that, despite increases in the costs of labor and materials, barge rates have been held to the level of 40 years ago. Few industries in the country can show that kind of improved productivity.

There is a temporary cloud hanging over this trend to greater efficiency among the river carriers. An obsolete section of the 1940 Interstate Commerce Act inadvertently stands as a bar to permitting the accumulation of large economical tows of 40 or more barges. The statute has been interpreted to forbid mixing regulated commodities such as iron and steel and unregulated commodities such as grain in a single tow. Without authority to mix the two types of movements, the present efficient tows would have to be split and artificial cost increases would result. Last year, Senator Warren G. Magnuson, Chairman of the Senate Commerce Committee, and Senator Vance Hartke, of Indiana, introduced a bill to modernize the section. No new exemptions would be sought, merely confirmation of the right to handle traffic already exempted by Congress in the most efficient manner.

Vigorous support came from every industry using water transportation—agriculture, manufacturing industry, coal, chemicals, fertilizers. Labor supported us. Port groups were very helpful. Various state industrial development departments supported us. The Department of Agriculture endorsed the bill, as did the Department of Transportation. The Senate Commerce Committee unanimously endorsed it. In the House Interstate and Foreign Commerce Committee, however, although no one spoke against the merits of the bill, the river transportation measure, late last year, was tied tightly to a very broad measure for exempting railroads from regulations on bulk commodities. The House Committee apparently could not see its way to passing on the merits of the river transportation issue separately.

I will not argue the question of deregulation of the railroads here. The major public policy question involved is a relatively simple one. Barge lines and truck lines are small companies; railroads typically are very large enterprises and the merger trend is making them even larger. Any large enterprise can swamp a small, efficient competitor by abusing its economic power. A public referee is required to see that the public interest in maintaining competition is protected. In the so-called unregulated segment of the economy, the referee function is performed by the anti-trust enforcement agencies and the courts under laws such as the Sherman, Clayton and Robinson-Patman Acts and the Federal Trade Commission Act. In surface transportation, the Interstate Commerce Commission performs the referee function. So the dispute boils down to whether the referee function would be better performed for transportation by the Justice Department and the Federal Trade Commission or by the ICC.

If this argument gets too highly complicated in this session, those who benefit from low cost water carrier service must persuade Congress that two issues should be separated and that the mixing-rule bill should be passed on its own merits. It is unthinkable that Congress would be a party to cancelling out recent technological advances in river transportation and preventing future improvements in the economy of barge operations.

It seems to me that the railroads and the water carriers have a common interest in meeting the future transport needs of the country efficiently. We believe the time has come, particularly in the transportation of agricultural commodities, to create a much better climate of cooperation with rail service than has existed in the past. We plan to help develop that improved climate in every way that reason and good will can be useful.

There has been a long tradition of hostility between rail and barge service. What grounds have we for believing that the climate can be materially changed?

In the short run of a year or two, it probably can't be changed much, but beyond that I feel much more optimistic. We hear a great deal about a "gentleman's agreement" among the railroads not to work with water carriers. If there is one, I doubt very much that it can stand up against a clear showing that water-rail cooperation on particular traffic is in the best interests of particular railroads, in the best interests of shippers and farmers and, also, in the national interest in economical utilization of transport resources.

Perhaps one of the troubles has been that both railroads and water carriers have become so used to hostility that they take it for granted. We have very seldom talked about the mutual business and public advantages of cooperation. The barge lines propose to do so.

Over the last 10 years, within 100 miles of river ports, the truck lines have developed a highly efficient gathering operation to river elevators of great benefit to farmers and shippers. Additional substantial economies could be achieved and the benefits of low cost water transportation extended further inland if the same kind of business relationship could be developed with railroads as has worked so well with trucks.

I am not proposing that all grain should take the shortest route to water. There is obviously a range where all-rail and rail-water advantages are equal and beyond that where all-rail service is preferable.

I *am* proposing that we discuss rates on what the barge industry is beginning to call a "willing partner" basis. Let us assume the existence of a railroad as willing as a truck line to enter into a business arrangement with a water carrier. What sort of a proposition might be developed that would be good business for the railroad, good business for the farmer and shipper and good business for the water carrier?

An interesting mileage rate was established in the Western Trunk Lines tariff last year between interior points in Iowa and some Mississippi River ports which illustrates the potential. A low rate on corn for export of 36¢ a cwt or $7.20 a ton was published to Houston from such origins as Des Moines. This compared with a rate of 52¢ a cwt or $10.40 a ton for approximately the same distance between Des Moines and New Orleans, an equally attractive export market. After some litigation, a rate of 15½¢ a cwt was established between Des Moines and Muscatine, Iowa and other ports on the Mississippi River. A connection with the barges became possible providing service to New Orleans via Muscatine at competitive rates.

Consider the impact on access of interior grain to the export market and to alternative domestic markets if more "willing partner" rates of that kind were offered. Certainly the interest of the farmer and the shipper are on the side of achieving alternative ways of reaching their markets. Where an alternative exists, they should not lock themselves into a single route.

Consider, also, the impact of applying to a connecting service some of the new rail economies of terminal-to-terminal volume movements. A unit train shuttling between major interior terminals and large river terminals could, under some circumstances, with good volume, produce profitable transportation at nine or 10 cents a cwt for 300 miles. This might make possible rail-water grain service to the Gulf from interior points of about $5 a ton or 25 to 26 cents a cwt, compared to the present $10.40 a ton or 52 cents a cwt. I do not suggest that any of these figures are necessarily figures which hard bargaining, and strong shipper interest would eventually develop. But the potential is there for substantial savings. If net savings do not result, an alternative route to market may be just as valuable in making sure that the interior farmer has the full benefits of competition from alternative routes, particularly in a period of generally rising freight rates.

Would a railroad's participation in such operations be in its own business interest?

First, I suggest that given the pressing need for additional capital of all railroads, it is extremely important that it make the most intensive use possible of its new equipment. I suggest a shuttle movement to river port, properly organized with all the requirements for rapid turn-around normal in "bare bones" transportation situations, could well result in much better utilization of equipment. The average freight car is loaded only 16.2 times a year. If it could be loaded twice a week or 104 times a year in a dedicated service, its earnings potential could be much greater. Twice a week may not be possible in a seasonal business, but the trend to the establishment of large terminals where grain is held for favorable prices suggests that higher utilization could be achieved and, therefore, better earnings.

Second, a connecting railroad could share in the economies of low cost water transportation. Its earnings from a rail-water movement could be much higher than its divisions from an all-rail rate.

Third, as the merger movement continues, certain railroads, particularly smaller railroads, but even some large railroads, are being left out of important markets. A connection with a water carrier may well enable such a railroad to participate in important traffic otherwise out of reach.

Fourth, the barge lines have large traffic movements in feed, fertilizers, salt and steel originating at Gulf ports. In some instances, barges could coordinate substantial volumes with railroads for back-haul of the grain.

Fifth, as the demand for additional production mounts, agricultural land now thought marginal because of transportation costs can be brought into production and the total demand for rail and other transport services increased.

Sixth, a river connection is often a way to avoid congested and highly expensive major terminal cities and the high charges assessed by switching and belt railroads. The rail-water connection of the future could be an elevator with a siding along a river bank far out in the country. Such an arrangement would again improve utilization of freight cars.

For the shipper and the farmer, a willing partnership between a railroad and a water carrier can mean access to market at a lower transportation cost and therefore better earnings on the crop. It can also mean access to more distant markets and to alternative markets. There is no economic reason why the farmer beyond the reach of truck gathering should not have improved alternative access to Gulf, Great Lakes, East Coast and West Coast ports via a rail-water service. Most important, the establishment of a rail-water service can mean an alternative routing for farmers and shippers now tied into one all-rail route and a far broader choice both of carriers and markets.

A more economical rate to the seaports is one factor which could encourage expansion of exports. To the extent exports are encouraged, an important contribution is made to the nation's balance of payments problem.

One other dimension of better water-rail cooperation should be mentioned. There seems to be no question that on very high volume movements of grain between very large terminals, the heaviest kind of competitive pressure is being exerted to extract the last possible ounce of efficiency from all-rail and all-water movements. But what about those farmers and country elevators who will never have enough volume to justify a unit train and yet are too far from the river to use barges? Are they to be left out entirely? I suggest we could profitably explore the effectiveness of a special train the sole purpose of which would be to assemble five and ten-car cuts of 100-ton hopper cars across a state like Iowa for delivery to river elevators. Such a service, stripped to the bare bones of all extras, and coordinated with river movements, might well achieve high and profitable utilization for the railroad as well as coordinated rate levels competitive with the very high volume terminal-to-terminal movements. Some interests are well served by the high volume movement. Some would be better served by a more flexible arrangement.

In the coming months, we will be suggesting the opening up of new rail-water routes on grain service. The rail response may well be simply a reduction of the all-rail rates as has happened many times before when water carrier coordination has been suggested. The water compelled rail rates is often referred to as the double benefit of water transportation. But as total volume increases and as the capabilities of the constantly improving technologies of both rail and water service are better understood, I believe the logic of joining efficient rail and efficient water transportation will become irresistible. The combination should produce the marriage of sound business policy with sound public policy which represents the ideal performances of a private enterprise industry dedicated to the public service.

A THREAT TO CULTURE

Mr. PELL. Mr. President, I ask unanimous consent to have printed at this point in the RECORD an article entitled "A Threat to Culture," written by Howard Taubman and published in the New York Times of today, March 12, 1968. The article speaks of recent congressional action affecting both the National Endowment for the Arts and the National Endowment for the Humanities.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A THREAT TO CULTURE—HOUSE CUT IN APPROPRIATIONS FOR ARTS AND HUMANITIES PERILS VITAL PROJECTS

(By Howard Taubman)

Impressive new programs will have to be abandoned before they can be tried, and established ones that have functioned creatively will have to be curtailed if the vote in the House of Representatives earlier this month to reduce the funds authorized for the National Endowments of the Arts and Humanities is upheld. Although the record of achievements by these endowments since their founding in 1965 was praised by many in the House debate, there was little discussion of the valuable programs that would have to be dropped. It is not too late, however, to save them. The Senate, which is about to take up the authorization bill, can restore the cuts, and a House-Senate conference can agree to make more money available to both endowments.

Let us examine some of the projects that will be jettisoned if the House cuts remain in effect. The Arts Endowment had plans for new programs in such disadvantaged areas as the Watts section of Los Angeles, the Hull House section of Chicago and Harlem in New York. Projects in operation were to be extended and set up in other communities that have been demanding such activities.

The Arts Endowment has undertaken special projects to build new audiences, like one at Oakland University in Michigan, which is carrying on an exciting schedule of professional performing arts. By helping to send highly regarded companies like the American National Opera, the City Center Joffrey Ballet, the Martha Graham troupe and the National Repertory Theater on widely ranging tours, the Arts Endowment has made them available to fresh publics. If the cuts stand, these undertakings will be diminished or eliminated.

INDIVIDUAL GRANTS PERILED

The Arts Endowment hoped to continue its individual grants to artists. Indeed, it had allocated large sums for direct grants or indirect assistance through institutions. But the House action could make such a program impossible. Not only did the House reduce authorized funds; it also wrote into the bill a prohibition against individual grants.

Why? To read the full account of the House debate in the Congressional Record is to discover how suspicious some Congressmen are of giving as little as $5,000 a year to a painter, sculptor or writer. Substantial sums are dispensed in individual grants to scientists through the National Science Foundation, but somehow direct assistance to an artist, these Congressmen imply, will undermine his character and the nation's moral fiber.

If it is of any interest to the Congress, all that a grant of $5,000 will do for an artist is give him a little freedom to work at his métier. I know a successful artist who hoped to receive such a grant. He recently had a show at a well-known New York gallery, received favorable criticism and sold 80 per cent of the pieces on display, which represented a year and a half's work. His net was $7,000. How many Americans have so little to show for their labors?

THE BELL IS TOLLING

The Humanities Endowment had on its agenda a promising program to demonstrate the application of literature history and other humane knowledge to the great issues of contemporary life through television presentations. It would have to be eliminated.

Plans for the celebration of the bicentennial of the American Revolution in 1976 are progressing in various parts of the country, and the Humanities Foundation hoped to support historical societies and other local organizations to make arrangements that would have content and meaning for the nation as well as pageantry. This effort would have to be abandoned.

The Humanities Foundation has made a number of grants to tie together universities and groups of school systems. The University of Louisville and neighboring colleges have joined with surrounding school systems to develop and improve secondary-school instruction in history, the humanities, social sciences and the meaning of science for contemporary society. All such undertakings would have to be stopped.

The House action, which cut funds from both endowments from $20.5-million to $11.2-million, would also have an unfortunate impact on the programs of state arts councils. The Arts Endowment had allocated more than $5-million to such councils for matching grants. By reducing this figure to $2-million, the House in effect could kill more than 1,000 local art projects.

The justification for the cuts was the mounting costs of the war in Vietnam. But even if one were willing to concede the need of such a war—and a great many Americans today have grave doubts about it—the sums requested in the President's budget for the Arts and Humanities Endowments are piddling compared with what the nation spends on programs in other fields that neither enlarge our vision nor lift our spirits.

Mr. PELL. Mr. President, Mr. Taubman vividly points out the harm which will be dealt to artistic endeavors now being aided by the Government if the action he speaks of remains unchanged. To my mind, our country can well afford the small sums of money needed to fund the Endowments for the Arts and the Humanities. It is well to remember that at the height of the London blitz, the British Government voted more money for cultural activities than it had ever voted before the war.

The mind of a nation must not be sacrificed to its might and muscle. I trust that the Senate will give this need for intellectual and artistic development some thought in the coming weeks, prior to taking action on the arts and humanities bill.

OIL POLLUTION

Mr. CASE. Mr. President, the recent oil spill in San Juan Bay, Puerto Rico, is a reminder of important unfinished business before Congress.

I speak, of course, of legislation to strengthen the Oil Pollution Act of 1924, to make it both more simple to enforce and more effective in the protection of our fish, seabirds, and beaches against oil discharges.

The Senate last year passed S. 2760, a bill I cosponsored, which, in my judgment, would go a long way toward achieving these objectives. Unfortunately, the House has not acted on this measure; indeed, the Committee on Public Works of the other body has not even held hearings.

This is all the more regrettable because S. 2760 is especially relevant to the Puerto Rico oil spill. Were the bill law, Puerto Rico, as well as other U.S. possessions, could be assisted by the Federal Government in cleaning up after the spill in a more expeditious and comprehensive manner than is possible under existing law or emergency arrangements between Federal agencies.

The *Torrey Canyon* disaster off England and the destructive oil spills last year off the New Jersey and Massachusetts coasts alerted the Nation to the weakness of its oil pollution control laws.

The most serious aspect of the legal problem involved a requirement, slipped into the act in the dying days of the 89th Congress, that the Federal Government must prove "gross negligence" in prosecuting violators. The effect of the provision was predictable—it dried up further prosecutions under the law.

S. 2760 deals effectively with this and other deficiencies. For example, the requirement for proving gross negligence is removed, in line with separate bills introduced last year by the Senator from Maine [Mr. MUSKIE] and myself. Further, the Senate bill covers oil discharges from shore installations for the first time, and provides for the immediate cleanup of oil either by the perpetrator of a spill or by the Federal Government. In either case, the perpetrator will be liable for the total costs of cleanup unless the spill results from an act of God.

As the Senate Committee on Public Works pointed out in its report on S. 2760, the object of the proposed legislation "is to control pollution by oil by making it unprofitable for the owners or operators of a vessel or shore installation to countenance carelessness, and by providing a ready statutory basis for containing and removing the oil when it is discharged."

The bill itself does not deal with the problem of Coast Guard oil pollution patrols which, unfortunately, at present are largely based on happenstance sightings by passing ships and planes. Last year I wrote to Senator MUSKIE urging that the committee report include language on the need for systematizing and increasing these oil pollution patrols. I am glad, indeed, that the committee accepted my proposed language almost word for word.

As I have pointed out in the past, the lack of systematic patrols encourages violation of existing law and would be damaging as well to the constructive steps that would be undertaken through S. 2760.

While obviously the patrolling of vast areas of ocean would not be a simple matter, a shipping expert for the New York Times stated in an April 23, 1967, article concerned with the Atlantic coast that the Coast Guard "knows at any time the identity and location of 60 percent of the ships offshore."

The Secretary of the Interior has authority under present law to get the Coast Guard to do more patrolling for oil pollution in offshore waters. In the light of the urgency of the oil pollution problem, I strongly recommend that he not wait for the new law to be enacted before securing Coast Guard agreement to step up these patrols.

I am pleased that the President, in his conservation message to the Congress, endorsed S. 2760 and stated his desire to "build upon" it. I hope that the House will respond to his urging by acting promptly on the Senate bill.

Mr. President, I ask unanimous consent to have printed in the RECORD a statement by the distinguished Senator from Maine [Mr. MUSKIE], who is not present today.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE OCEAN EAGLE DISASTER

(Statement by Senator MUSKIE)

Mr. President, on Sunday, March 3, an oil pollution disaster occurred in San Juan Harbor, Puerto Rico.

Though much smaller than the *Torrey Canyon*, which broke up off the British Isles last year, the tanker *Ocean Eagle* was carrying nearly 6 million gallons of crude oil at the time it broke in two and grounded.

About two million gallons of its polluting cargo has thus far been released, fouling waters and devastating over ten miles of beautiful Puerto Rican beaches. These beaches and waters, as severely damaged as those of England when the tanker *Torrey Canyon* went down last May, are a main attraction for a group of multi-million dollar hotels, support a major tourist industry and provide recreation for the people of Puerto Rico.

The total social, economic and ecological costs of Sunday's disaster cannot yet be assessed. The remaining oily cargo lies threateningly in the holds of the two parts of the tanker. Oil that has already escaped continues to wash onto the beaches.

The Federal Government and Commonwealth officials are fighting to contain this pollution. Booms have been moved in to contain the oil that spills from the grounded stern section of the tanker. Efforts are continuing to tow the bow section of the tanker out to sea. A fleet of trucks and crews of local laborers are removing oil from the beaches and attempting to cover the remiander with absorbent materials.

But the damage has already been done. Restoration of non-living resources will take substantial work. The living resources may never recover.

The Senate anticipated this disaster last year when it unanimously passed S. 2760 which made major changes in the Oil Pollution Act. I was pleased to note President Johnson's strong endorsement of this legislation in his recent message on environmental quality.

During our hearings on that legislation, the Subcommittee on Air and Water Pollution discussed, at considerable length, the need to move effectively to protect the public from oil pollution. And even though the hearings were announced prior to the *Torrey Canyon* disaster, considerable testimony was presented regarding the inability of the British Government to move quickly to protect her shores.

Now Puerto Rico is confronted with a similar, though somewhat smaller, repetition of the great British episode. Had the legislation been passed, had the other body acted on S. 2760, tools would have been in the hands of the Secretary to move to limit the damage now occurring.

The oil pollution provisions of S. 2760 would have prevented or limited the damage in San Juan Harbor in these important ways:

1) S. 2760 extends the coverage of the oil pollution control provisions of existing law and the new provisions of S. 2760 to Puerto Rico, Guam, American Samoa and the Virgin Islands. Today, no adequate oil pollution controls are set up for Puerto Rico, which has increasing traffic in giant oil tankers.

2) S. 2760 provides the Secretary of the Interior with adequate authority to prevent or abate threatened or actual pollution. Today, no Federal agency has clear authority to avert oil pollution and its damages. Considerable work is being conducted in San Juan by the Coast Guard, the Federal Water Pollution Control Administration, the Corps of Engineers, the Department of the Navy and Commonwealth officials. However, there is no clear directional authority. The results are delay, some confusion and a cleanup of less-than-top efficiency. The legislation which passed the Senate clearly designates the Secretary of the Interior as leader in any such oil pollution crisis.

3) S. 2760 authorizes a revolving fund in the Treasury to be used by the Secretary of the Interior to carry out cleanup operations. There are no funds now specially designated for the cleanup such as the one being done in Puerto Rico. Because no funds are available for a cleanup operation, there has been no stockpiling of cleanup equipment or know-how. No oil control equipment was available in San Juan when the spill occurred, and virtually none was available in all of Puerto Rico. This resulted in delay which turned an oil spill into an oil disaster.

4) S. 2760 fixes the owner or operator of the vessel with responsibility for removal of spilled oil and for immediately lessening the potential danger to natural resources. If the discharger fails to do so, the Secretary of the Interior would clean up the oil while the owner or operator would be fully liable for the costs to the Federal Government. In the case of the *Ocean Eagle*, the owner was contacted but apparently has made no attempt to alleviate the oil disaster.

While the owner of the vessel was not responsive, the owner of the cargo—the Gulf Oil Company—has provided cleanup equipment and is working in other ways to minimize the damage of the oil.

Had the provisions of S. 2760 become law, that owner of the vessel would have had initial responsibility and may have acted differently. His liability would be a powerful incentive to preventing the pollution in the first place. Or, failing that, he would be more responsive and cooperative, and fully repay the cleanup costs to the Federal Government.

In Report No. 917 to the Senate on S. 2760 last year, the Committee on Public Works cited the "need to give increased attention not only to the assurance of recovery of damages but to better methods to prevent these damages from occurring."

Delay has been costly. Inadequate or limited methods to deal with the problem still prevail and the question of authority remains unresolved. It is with the sense of highest urgency that I repeat my call for immediate Congressional action to secure final passage of S. 2760. The President has underscored this urgency. We cannot and must not wait for a repetition of this disaster on the shores of Maryland, Florida, or any of our great coastal States.

PRESIDENT JOHNSON DEALS FORCEFULLY WITH THE PROBLEMS OF POLLUTION

Mr. YARBOROUGH. Mr. President, as President Johnson noted in his excellent conservation message Friday, March 8, 1968, the pollution of our environment has emerged as one of the central problems of our times. The automobiles and powerplants and factories which underpin our vigorous national economy are seriously polluting our air. Our waters are polluted by municipal wastes, by industrial wastes, and by agricultural wastes. We have excessive noise, unsightly automobile junkyards, and both urban and rural blight.

In short, our civilization is experiencing a deterioration in what we are privileged to see, to hear, and to smell. Even more important, we are unsure what effects these pollutants may be having or will come to have, on our health.

President Johnson rightly noted that "conservation's concern now is not only for man's enjoyment—but for man's survival."

Congress has wisely sponsored and approved a large number of Federal programs designed to get at some of these problems and reduce the burdens we have imposed on ourselves. We have a Federal Water Pollution Control Administration. We have a National Center for Air Pollution Control. We have programs to abate pollution, or to learn more about its effects, in the Departments of Agriculture; the Interior; Commerce; Defense; Health, Education, and Welfare; Housing and Urban Development; Transportation, and State, as well as the National Science Foundation, the National Aeronautics and Space Administration, and the Atomic Energy Commission.

With an effort of this scope, there has to be some central point at which these massive scattered endeavors are pulled together into a harmonious whole.

I am extremely gratified to see that Lyndon Johnson has recognized this need and has moved to meet it. In his March 8 message to Congress, entitled "To Renew a Nation," he has instructed the Director of the Office of Science and Technology, in the Executive Office of the President, to coordinate the scientific aspects of Federal programs of pollution abatement and control.

I believe that this step, together with other actions proposed in this important message, will be of great significance in assuring an effective and efficient approach to these complex but critically important questions.

I commend President Johnson for providing Congress and the American people with an effective and timely program to deal forcefully with the problem of pollution.

KANSAS POWER & LIGHT CO. ADOPTS ADVANCED AIR POLLUTION CONTROL SYSTEM

Mr. PEARSON. Mr. President, air pollution control and abatement is one of the great challenges of our times. In many areas of the country the quality of our most vital natural resources has already been dangerously eroded. The existing level of air pollution has become a factor serving to limit further industrial expansion. And unless we do a better job of controlling this problem the threat to human health will become ever more serious.

A number of approaches will have to be used if our efforts to meet this challenge are to be successful. Because the public is so vitally affected, involvement by local, State, and Federal Governments in the form of regulations and financial aids is and will continue to be necessary.

It is hoped that this involvement will be kept at the minimum level commensurate with the job that must be done. A crucial factor in determining the extent of this involvement will be the initiative, or lack of initiative, shown by the business community in developing and adopting the most effective pollution abatement procedures that modern technology allows. Private enterprise must undertake these private actions not simply because of its obligation to the community at large but because of the fact that effective pollution abatement is good business; a disregard for the necessity of such measures is bad business.

Therefore, I invite the attention of Senators and the public to a recent development in my home State of Kansas which serves as an example of just this type of private initiative and responsibility. Last month, the Kansas Power & Light Co. announced plans to adopt a $3 million air pollution abatement system at the 430,000-kilowatt addition to the company's generating plant at Lawrence, Kans. The proposed addition will utilize coal and natural gas fuels, as does the existing 125,000-kilowatt plant.

This is the largest and most advanced air pollution system of its kind to date to be utilized by any utility in the Nation and will be fully operative at the existing station by the fall. Through a process of chemical additives to the fuel and the passage of flue gases through a bed of water the particulate emission of sulfur dioxide will be virtually eliminated. The system not only meets but surpasses all existing air quality regulations.

This type of private initiative is particularly encouraging considering that air pollution is not yet a critical problem in that area of Kansas. However, responsible officials in government and business have recognized that any significant increase in the air pollution count will endanger the opportunities for the Kansas River Valley to realize its enormous industrial development potential.

For this action, Kansas Power & Light Co. has been favorably cited by the Kansas Legislature, the Kansas Air Quality Conservation Commission, the Kansas Engineering Society, and the National Society of Professional Engineers. I ask unanimous consent that editorials by the Topeka Capital and the Lawrence Daily Journal-World be printed in the RECORD.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Topeka (Kans.) Capital, Feb. 18, 1968]

KPL PRACTICES GOOD CITIZENSHIP

By installing the largest and most advanced air pollution control system of its kind at its Lawrence generating plant, Kansas Power and Light Co. again proves it has the good of the state in mind.

If further proof were necessary, it can be found in the fact that KPL has contracted to buy 15 million tons of Southeast Kansas coal to help fuel the new 430,000-kilowatt addition to the Lawrence plant. The company also announced it will buy 30,000 tons of limestone annually from nearby sources.

Because natural gas supply was insufficiently available, the company decided to use both coal and gas as primary fuels for the addition. An interruptible gas contract with Cities Service Gas Co., was agreed upon and a 25-year coal contract with Gulf's Pittsburg and Midway Coal Co. was signed for 15 million tons of Southeast Kansas coal. It will be delivered by way of the Mo-Kan-Tex Railroad to the Santa Fe, the delivering carrier, in 40 special high-capacity freight cars.

These contracts will provide employment for many Kansans and help the state's economy.

Limestone is necessary because of the process to be used to generate the power. Limestone will be added to conventional coal pulverizers which grind it to fineness of talcum powder. Coal and limestone form combustible gases.

The intricate air pollution control system adopted by KPL for the new addition and an existing 125,000-kilowatt unit at the same station, at a cost of $3 million, will virtually eliminate emissions into the air.

As KPL President Balfour S. Jeffrey said, "This is a big step in showing the way to preserving the clean air we have in most all of Kansas."

Future need for air pollution control was pointed out by Jim Clark, chairman of the new Kansas Air Quality Conservation Commission. He forecast the Kansas River valley, between Kansas City and Junction City, will become "a continous metropolitan complex" because it has the largest supply of good water, fine transportation, the two largest state universities and good cultural and recreational facilities in the state."

A handicap is that thermal inversions occur about 30 per cent of the time, during which air pollution, unless controlled, could become troublesome.

Meeting the problem before it arises, as KPL has, is the kind of planning that will keep Kansas progressing industrially and allow residents to continue breathing fresh air, a rarity in much of the nation.

[From the Lawrence (Kans.) Daily Journal-World, Feb. 14, 1968]

A GREAT EXAMPLE

It was a year ago that Kansas Power & Light Co. announced plans for a $37 million expansion project for its Lawrence generating plant.

Along with the announcement came news that the expanded plant, due to be finished by 1971, would be using something like 4,000 tons of coal a day, or over a million tons a year. This posed an immediate question: What provisions, if any, would be made to minimize air pollution from such a vast quantity of coal?

KPL indicated at the time that it was considering various methods of pollution abatement in connection with the Lawrence plant expansion. Then Tuesday, the company announced a $3 million expenditure to provide that anti-pollution equipment.

In commenting on the good citizenship of KPL in this respect, Gov. Robert Docking said that the state of Kansas is justly proud of its general abundance of clean air and is interested in doing things to keep it that way.

"At a great monetary cost, KPL has set for itself—on a voluntary basis—standards which reduce the particulate emission and sulfur content below those which are required even in the eastern sections of the nation where air pollution problems are acute," the governor said while attending a meeting here where announcement of the project was made. "It is this kind of concern by Kansas businessmen—going beyond what is expected of them—that has built a fine company and a great state."

The governor stressed that this represents a capital outlay that in no way will be recovered through retailing, that it is merely KPL's effort to do what is right and important to preserve a vital commodity—clean air.

Then some important remarks were added by Jim Clark, the Lawrence, Topeka and Kansas City auto dealer who has the important post of chairman of the relatively new Kansas Air Quality Conservation Commission.

"This policy," said Clark, referring to the costly anti-pollution project here, "is based upon hard-headed business principles since the Kansas Power & Light Co. is not known to form policy with loose and careless procedures. If it is good business for this company to pursue such a policy, we hope that a climate is being established in which it is recognized generally that conservation of air quality is indeed good business."

In accepting the chairmanship of the Commission, Clark like many others was fully aware that one of the key dangers of our time is contamination of the air and water supplies not only on a local or national but on a worldwide basis. It is understandable that he and his group are pleased with the KPL effort, for it sets high standards for others to follow to make the Commission's job easier.

If "hard-headed business principles" govern KPL in such matters, others are likely to follow.

Other remarks by Clark showed just what a high stake Lawrence has in the matter of air and water pollution and the abatement and elimination thereof.

He said that in the opinion of the Air Quality Conservation Commission, the Kansas River valley extending from Kansas City as far west as Junction City, will comprise the largest contiguous area where air quality problems can become critical in Kansas in the years ahead.

"Knowledgeable persons have repeatedly predicted that this valley will become a continuous metropolitan complex," Clark said. "Reasons for this view are obvious. The Kansas River valley provides the largest supply of good quality water for domestic and industrial use. The valley area also has good transportation services, the two largest state universities providing education and research, other research services and good cultural and recreation facilities."

It is in this valley, however, that thermal inversions occur about 30 per cent of the time. During such inversions, the volume of air available for the receipt and dilution of wastes is limited. Vertical mixing of the air is at a minimum, often non-existent. Kansas City already has air pollution problems. With increased population and development in the valley, we can expect the trouble with air pollution to spread up the valley because of the volume of air to receive wastes will not increase.

"The increase in air-borne wastes will not be from industry alone, but from our automobiles, our businesses, and our homes as well," Clark said. "Air contaminant emission levels will have to meet the standards necessary for achieving or conserving the quality of air for the uses such an increased population and industry complex would demand."

It is glaringly apparent, then, why it is important that agencies like KPL, with its planned $3 million anti-pollution program, and Cooperative Farm Chemicals of Lawrence are spending money in this vital field. CFCA, for example, has already spent over $800,000 to abolish air pollution from its $40 million Lawrence plant.

With such leadership, the Kansas River valley and the state have brilliant examples to follow so that what could become a major problem for this region may never develop.

TEXANS FORM A PARTNERSHIP FOR THE ALLIANCE

Mr. YARBOROUGH. Mr. President, in 1961, under the direction of President Kennedy, the Alliance for Progress was born—a 10-year investment program in Latin America. Since its creation, the Alliance has been a model of creative foreign policy and accomplishment.

In 1964, James Boren, a Texan working for the Agency for International Development, under which the Alliance is administered, came up with the idea of involving individual Americans with the problems of Latin America. He encouraged Edward S. Marcus, of Dallas, another outstanding Texan who had already involved Texas in such a program, to expand his interest nationally. Thus was created the Partners of the Alliance, now operating in 34 States.

In these times of international tensions, when American actions internationally are so important, organizations such as the Partners of the Alliance are of invaluable aid to us in gaining the respect of, and at the same time, helping to develop economically and culturally, the countries to the south of us. I am proud of the two Texans who were instrumental in this ambitious and productive program.

I ask unanimous consent to have printed in the RECORD an article entitled "Marcus Works for True Partnership in Americas," written by Roy McGhee and published in the Dallas Morning News of March 3, 1968.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MARCUS WORKS FOR TRUE PARTNERSHIP IN AMERICAS

(By Roy McGhee)

WASHINGTON.—One of the nation's merchant princes is peddling a strange new product to his fellow Americans—personal involvement in foreign affairs.

"It may well be the most important undertaking of my life," and *Edward S. Marcus*, executive vice-president of the Texas-based Neiman-Marcus department stores.

Marcus heads the National Association of the Partners of the Alliance. The organization is a private auxiliary of the Alliance for Progress, through which governments seek to raise living standards among the poverty-ridden masses of Latin America.

In recent months, some western Hemisphere diplomats have expressed fear that the alliance is floundering. They see it a victim of U.S. preoccupation with Vietnam. On the other hand, U.S. observers have complained of an inability or unwillingness on the part of Latin Americans to get behind the vast structural reforms required to modernize their 18th century societies.

As envisioned by President Kennedy in 1961, the Alliance for Progress committed the free nations to a $100 billion, 10-year investment program in Latin America. The Latins themselves were supposed to invest $80 billion in development projects. Another $1 billion each year was pledged by the United States, with $3 billion to be invested by private U.S. business. The remaining $7 billion was to come from other parts of the world.

This government-to-government program has had some success. Much of the money has been invested, but the results fall far short of expectations. Eight years after the alliance was conceived, the lot of the average Latin has improved hardly at all. Success is measured by the fact that only one Western Hemisphere country—Cuba—has gone Communist.

In 1964 a Texan in the agency for International Development (AID), *James Boren*, foresaw some of the difficulties facing the alliance. He had been country director for AID programs in Peru. When his tour was over and he returned to the United States, he conceived the idea of involving Americans individually with the problems of the lands to the south.

Boren recalls that in those days AID officials often were asked by concerned individuals, "What can I do?" His own state, Texas, already had a citizen organization cooperating with Peru. Marcus was active in it, and Boren induced him to expand the operation nationally.

The Partners of the Alliance was the result.

Here is how Marcus describes the organization:

"The Partners of the Alliance are just that: They are partnerships of citizens of the Americas. They are formed together in a framework of direct and functional relationships—they are unified by a common purpose and desire to attain the goals of social and economic development through reciprocal action. They are, above all, people working directly with people for a common purpose.

"To accomplish this end the Partners have set out to add substantially to the international dimensions of our society. Every private and public element within our local communities can only gain from this increase of knowledgeable involvement with international affairs.

"Our schools, professions, corporations and trades, labor unions and civic organizations must each sustain their full share of the support of international programs."

Marcus' aim is to involve as many Americans as possible in the partners. So far, organizations have been set up in 34 states, and he hopes to have them functioning in all 50 states before the end of the year.

Marcus' interest in Latin-American affairs dates back to 1940. That year he took a leave of absence from his store duties to work for Nelson Rockefeller's Inter-American Development Committee. Bringing his merchandising expertise to bear, he spent three months in Washington studying the possibilities of developing manufactured products in Latin America for distribution through retail channels in North America. Then he traveled in Peru, Chile, Argentina and Brazil.

The press of personal business and then the war cut Marcus' government career short. After that survey trip, he did not set foot in South America again for 24 years.

Under the Partners scheme, a U.S. state enters into a partnership with a Latin country or section of a country. There are interchanges of correspondence and visits, all of a more or less personal nature.

The organization in Oklahoma, for instance, has adopted the Mexican states of Tlaxcala-Morelos as its partners. Last year, Oklahomans participated in the following project, $4,800 raised by 60 Oklahoma Federation of Women's Clubs to pay for scholarships to girls' schools in Mexico; assistance for a soils laboratory and demonstration school; collection of medical and dental supplies for a charity hospital, to be delivered by Oklahoma National Guard planes.

Marcus is particularly impressed with a purely social project of the Oklahoma partners. He says it created immense good will, and pointed up the good works being accomplished. He referred to a rodeo staged at the Tlaxcala State Fair. The Partners organized the rodeo and transported the cowboys, livestock and equipment to Mexico for its 4-day run.

Alabamans are running a bookmobile program in Guatemala. Delaware Partners are running a vocational school in Panama.

Anyone interested in finding out how to help the Partners may write to the National Association of the Partners of the Alliance, 1518 K St. NW., Washington, D.C.

HOUSTON CHAPTER OF UNITED NATIONS ASSOCIATION SUPPORTS PROXMIRE EFFORTS TO WIN RATIFICATION OF THE HUMAN RIGHTS CONVENTIONS

Mr. PROXMIRE. Mr. President, I recently received a most heartwarming letter from Henry V. Broady, president of the Houston chapter of the United Nations Association of the United States of America, Inc.

At the Houston chapter's annual meeting, a resolution was adopted urging the organization's members to observe 1968 as International Year for Human Rights and urging "renewed dedication of all our citizens to the manifold concerns for human rights within our own country and the growing world community and thus to larger measures of justice and freedom and furthering peace on earth."

I should like to quote to the Senate two paragraphs from Mr. Broady's letter which particularly buoyed my spirits:

We are appreciative of your sustained efforts over many years on behalf of three principal Conventions, one of which the Supplementary Convention on Slavery was finally ratified by the Senate last November.

Our members have instructed me to ask you to do everything within your power to bring about ratification by the Senate, before the end of this International Year for Human Rights, the remaining principal Conventions in the field of human rights which have been concluded under the auspices of the United Nations or of its specialized agencies. The pace with which the United States has taken action on these Conventions has been very slow in contrast to the majority of the members of the United Nations who have ratified some or all of them.

Mr. President, I can add very little to the wisdom and eloquence of this resolution except to urge once again that the Senate act favorably on the human rights conventions.

PROPOSED REPEAL OF TAX-EXEMPT STATUS OF INDUSTRIAL REVENUE BONDS

Mr. LONG of Missouri. Mr. President, the Internal Revenue Service and the Treasury Department have shown complete contempt for Congress by moving to repeal the tax-exempt status of industrial revenue bonds. For years they have unsuccessfully sought legislation to effect this change, but Congress has refused to act. Now, without warning, IRS has decreed a change in the law. I have never seen a more clear abuse of raw, naked power. The arrogance demonstrated by this arbitrary and capricious action cannot be tolerated. If Congress allows the IRS to succeed with this adventure, we can anticipate ever greater efforts to usurp the legislative prerogative of Congress.

The power to tax is the power to destroy. Our Founding Fathers were so concerned over the possible abuse of this power they gave the House of Representatives sole power to originate revenue-raising measures. Today we see the administrators, the tax collectors at IRS, trying to take over and exercise this power. Congress must take action to stop this tyranny. The power to tax must rest completely in the hands of elected representatives.

Mr. President, the economic development of our smaller communities is one of the most pressing challenges facing our Nation. If we can stop the migration of our unemployed to the cities by providing jobs in our rural areas, we also will have made a giant step forward in solving our urban problems. Congress has enacted legislation to promote and encourage industrial development. The investment tax credit and the Economic Development Act are examples of this effort.

The States and local governments have not sat by idly. They have undertaken economic development programs of their own. The backbone of this effort has been the tax-exempt revenue bond. Missouri is one of the more than 40 States that have made effective use of these bonds. Since 1961, when the Missouri legislature authorized the use of them to carry out industrial development projects, more than 50 communities have attracted new industry or expanded existing plants through their use.

The results have been remarkable. Over 9,000 new jobs have been created, and new investment has amounted to $56 million. This is the direct result and does not include the jobs and investments which resulted indirectly.

Applications are now pending which would boost the above totals to 17,000 jobs and investments of over $269 million. The total job picture including indirect results would be approximately 25,000 new jobs.

Where are these new jobs? In communities such as New Madrid, Crane, Joplin, Monett, Nevada, Palmyra, Wellsville, Bethany, Chaffee, and Dexter; and I could go on and on. These are for the most part our smaller towns and communities—towns and communities which are in need of new industry. Some have been literally saved because they were able to use these bonds to attract industry.

Two pending issues should be noted especially because of their size. The larger of the two investmentwise is one in New Madrid. The bond issue is for $140 million and is to be used to construct facilities for an aluminum processing plant. The plant will create 800 new jobs in an area underdeveloped industrially and faced with serious unemployment due to mechanization of agriculture. It is estimated that an additional 500 jobs will be created in service-related industries.

The other issue is for $7 million in Springfield. This bond issue to construct facilities for Zenith Radio Corp. will create 4,000 jobs. Negotiations have been underway between the city and the corporation for nearly a year, and March 25 has been selected for the final sale of the bond issue. But now that IRS has issued its edict, the prospect for these 4,000 jobs has dimmed.

In addition to these 4,000 jobs going down the drain, the IRS order will sink 12 bond issues already approved by the State division of commerce and industrial development. Eight new plants will not be built, and four existing plants will not be expanded. Nearly 7,000 new jobs will be lost.

Further, a number of communities near the final stages of negotiations with industries will be unable to raise the necessary funds to carry through the agreements. Joplin will lose 450 jobs, Hannibal 400 jobs, Parma 400 jobs, Poplar Bluff 300 jobs, and Sedalia 100 jobs, and Neosho will lose two industrial projects which are currently being negotiated.

In the face of these facts, it is difficult to understand how IRS could take this action, but I would wager that little if any consideration was given to these human factors. Instead, all that these fancy administrators could see was a chance to increase taxes and raise a little more direct revenue. On a long-term basis, I doubt whether this repeal of the exemption will raise revenue because of the loss of jobs and the loss of production it will entail.

Mr. President, we are dealing here with an issue which is basic to our local communities—how to expand industrially and provide jobs for their citizens. We are also considering how the small businessman can obtain the funds necessary to expand his business. The large corporation, the titan, can go to Chase Manhattan Bank and obtain all the money it needs, but the small plant, the small businessman, must often rely on industrial revenue bonds. This IRS action truly hits the poor right between the eyes. Also, in blunderbuss fashion, it hits rural America and our cities. Its effect on Missouri and the Nation will be devastating.

IRS has no business trying to tell our States and local communities what they should do or should not do in seeking economic development. It should stick to collecting taxes.

Mr. President, I have found myself in almost constant conflict with IRS for 3 or 4 years. This has been primarily due to its insistence on carrying out every Government function other than tax collection. Tax collectors should collect taxes and leave policymaking to the Congress.

ARTICLE ON BIG THICKET LAMENTS RAPID DISAPPEARANCE OF WILDERNESS

Mr. YARBOROUGH. Mr. President, the March 1968 issue of Texas Parade contains an article entitled "The Big Thicket." The article, excellently written by William C. and Margaret Louise Hancock, points out that the Big Thicket area is disappearing at the rate of 50 acres a day because of outside encroachments. It dramatically narrates the spoliation and ruin of the Big Thicket that is taking place while we await executive department reports on the Big Thicket National Park bill.

I ask unanimous consent that this article appearing on page 36 of Texas Parade, be printed in the RECORD. It illustrates the rapidity with which time is running out for the passage of S. 4, my bill to establish a Big Thicket National Park.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE BIG THICKET

(By William C. and Margaret Louise Hancock)

One of the Nation's most remarkable wilderness areas, the Big Thicket in East Texas, is disappearing at an alarming rate. It once stretched majestically 100 miles east to west and 50 miles north to south—3.2 million acres in all. Now the Thicket covers only about 300,000 acres, its southern tip barely outside the extended city limits of Beaumont.

Outright encroachments absorb more than 50 acres of the remnant per day. And this being one of the driest years ever in the densely-wooded swamp, loggers race to cut pristine sections of timber made accessible by the drouth.

Recently we were in the Big Thicket checking reaction to a proposal for establishing a state or national park there. We interviewed people from bootleggers to bankers, from Indians (Texas' only Indian reservation is here) to editors during a broken fortnight in the area. One day we talked to a burly logging company official. Only he wound up asking most of the questions.

We tried to explain that parts of the Thicket should be preserved for ecological research that could produce invaluable findings. We further pointed out that such a park would add badly-needed recreation space for the nation's future generations and provide the region with a needed economic boost through tourist dollars. But as the poet said, a man convinced against his will is of the same opinion still.

"Just give us a couple or so more years," the logger snorted, "and we won't leave anything in the Big Thicket worth fighting for by conservationists."

Recorded history of the Big Thicket extends down the corridors of centuries. Diaries of Spanish missionaries describe a vast woodland between their East Texas missions and the sea so dense they could not struggle through it. Runaway slaves and other fugitives commonly escaped pursuit by melting into its trackless recesses. General Sam Houston planned to gain sanctuary in it for his army if they lost out in the Battle of San Jacinto. Today the sheriff's department of Hardin County maintains a pack of bloodhounds principally to rescue ordinary citizens lost in the great wilderness.

Normally an annual rainfall of 60 inches soaks the region. Climate is fairly even with freezes uncommon. The country lies athwart north-south, east-west demarcations of plant and animal patterns. It has been aptly proclaimed the "Biological Crossroads of North America." Virtually all of the plants common to the deep South grow lushy here alongside many native to the Appalachian Highlands. And the only typically Western vegetation missing, according to Lance (Mr. Big Thicket) Rosier—celebrated self-taught naturalist of the area—is sagebrush. There are 67 species of trees and shrubs in the Thicket! Some of these such as holly, cypress, magnolia, eastern red cedar, black hickory, red bay and yaupon attain record size. There is even a loblolly pine near Woodville that annually turns from green to gold and back—a phenomenon defying explanation.

Palmetto jungles reach such height in some places they instantly swallow a man on horseback. At least 21 varieties of wild orchids flourish in the Big Thicket along with four of the five meat-eating plants found in America. Scientists estimate the presence of more than 1,000 species of fungi and algae yet unclassified.

It's surprising that the Big Thicket still contains a wide range of wild animals in view of the incessant poaching and resistance to game wardens. On a photographing mission one night, we banged through the brush in a specially-equipped jeep deep in the particularly wild country where most of the old time bear hunts originated, and skidded up to a hunter fast asleep on a stool. An illegal spotlight lay at his feet. He popped up and threw down on us with his double-barrelled shotgun. He made peace only when he satisfied himself we were not John Laws.

Along with black bear the panther was a big game animal common in the Thicket. Oldtimers conjure up visions of the continued presence of both; but they may be gone with the Passenger Pigeons, once so super-abundant they burned out local roosting woods with their droppings. Whitetail deer in considerable numbers cower in the dense growth from which they are spooked by trained hounds—unlawful elsewhere in Texas.

Mink, otter and muskrat slink along once sparkling streams growing blacker daily from industrial contamination. Other small game in varying plenty such as coons, possums, bobcats, foxes, wolves, skunks, armadilloes, rabbits and squirrels enliven the great forest.

Possibly the most interesting creature left is the wild hog known as a rooter. The male develops a nasty disposition and wicked tusks with which he rips up dog or man. One foggy morning a very old shotgun-toting woman in poke bonnet approached us "way back." "There's a squirrel on that water oak," we called out to keep ourselves out of any line of fire. "Thanky, but I ain't huntin' squirrels; huntin' rooters," she replied. "Don't 'spect to see none, though. Swampers kill'em out for market sausage. Just gotta get out in the woods once in a while to look for an ol' rooter or my soul frizzles up."

Bullfrogs vibrate the swamps with their foghorn serenading. Area boys have been known to specify "bullfrogging" as occupation on their military draft questionnaires. Crawdads and shellfish abound in the sloughs and alligators snooze on bayou banks. Workmen carry heavy machetes as much to chop up cottonmouth moccasins, copperheads, cane rattles and coral snakes as to whack a route through undergrowth in the deep reaches of the dense and dark Thicket.

Around 300 species of birds may be found in the Big Thicket. Presence of the magnificent Ivory Billed Woodpecker, for some years considered extinct has been verified recently. The *Kountze News* ran a story describing the bird and suggesting that it may have been last seen in the Thicket. A few days later a swamper shuffled into editor Archer Fullingim's office, tossed a murdered Ivory Bill onto his desk and asked, "Ain't this the bird you said was extinct?" Noting Fullingim's dismay, the hunter declared, "Oh, there's more where I got him. But I ain't gonna tell you where. Iffen I got all them extinct woodpeckers then I'm one of the most important men in the world even though nobody knows hit but me."

Which provides further insight into the nature of these people. In spite of the abundance of game, wood and water in the Thicket, it was sparsely populated. The original settlers came long before the Civil War from the old South where most had been buffeted by life. They sought fresh opportunity in a new land far from prying neighbors. Their descendants are much intermarried, resistant to change and suspicious of strangers. Yet they were kind and helpful to us after we were introduced around by one of their own.

And they have a delightful tale about everything in the Thicket. Guide Hugh Rollins pointed to an abandoned log cabin alongside a rivulet he called a branch. Said he, "That shack is more'n a hundred years old. When I was a young feller, an ornery nester called Old Boodie lived in it. Had a giant bitch so mean everybody angled through the woods to pass. She was hatefully dubbed "The Biting Bitch of Boodie's Bog'. One day a surveying crew I'd hired out to entered the forest just south of this place. There was another boy with us called Pokey. Every time we halted for a breather Pokey sharpened on his machete. At sundown we finished up north of here and naturally circled the biting bitch to regain the wagon. All but Pokey tagging along far in the rear. He just shuffled on down the trail in front of Boodie's cabin. Mouth open and fangs a-slobber, the bitch dashed up in his rear. Pokey nonchalantly swung his machete across behind him, cutting off her nose and lips. She quickened the dead with her yowling. After that she wore a perpetual grin and would only lie under the cabin seemingly a-smiling and a-smiling at passersby. She was renamed 'The Grinning Gal of Boodie's Branch'."

But mere historical and biological details provide inadequate impression of this mysterious swamp-forest-jungle of overpowering beauty. To comprehend it you must enter. The outside world fades from consciousness; eerie symphonic moaning emanates from stately treetops; fern banks and festoons of moss weirdly float in mist. And ghosts reportedly flit about in the great swamps which guide Harvey Collins claimed would "bog a buzzard's shadow." The fearful light sometimes seen wheeling at night through the baygalls along famous Ghost Road is caused, the old ones say, by the ghost of a decapitated brakeman—a railroad once ran along here—whirling his lantern in search of his head.

Numerous creeks and rivers criss-cross the Big Thicket, and swamps, marches, bogs and baygalls—fed by the usually heavy annual rainfall—are commonplace in the region. The soil is sandy humus for the most part. In this botanical eden, mosses, slime molds, algae flourish in amazing variety, providing a rare source of materials for scientific studies. Research was begun years ago at the University of Texas, among other places, to develop a possible food source from Big Thicket algae for the world's growing population.

Seemingly almost everybody would favor preservation of such outstanding natural wealth and beauty—proposed reservations do not exceed 2% of commercial timberlands. Actually the idea has been advocated for a century. The National Forest Service finally studied the Big Thicket in 1938, recommending inclusion of part of it in the system. But before action could be initiated, World War II loomed up and shelved all park plans for the duration.

The fantastic post-war building boom created an insatiable demand for forest products, bringing wealth to the lumber companies. Naturally, they opposed a Big Thicket park. Not until 1961 could the National Park Service be prevailed upon even to re-identify the Big Thicket as a desirable adjunct to the system.

About this time Governor Price Daniel became officially interested in the proposition of a state park in the Thicket. The legislature largely ignored his idea but he persisted. The question flamed into a red hot political issue among Thicketites. Park opponents propagandized them into believing that the proposal would eliminate their cherished hunting and take away ther homes and livelihoods.

Daniel appointed a lame duck 31-man committee to conduct a feasibility study of the park. It had little power as it was not a legislative committee. It had no state funds. But it had 6 foot 6½ inch Dempsie Henley as chairman.

His forebears settled in the Big Thicket in 1832. While holding down multifarious non-paying jobs ranging from Sunday School superintendent to Indian Affairs Commission chairman, he elevated himself by his bootstraps from cotton picker to affluence in oil, cattle and real estate, got elected four times liberal mayor in conservative Liberty, Texas, and leads a ceaseless battle for preservation of his ancestral homeland. Almost single-handedly, Dempsie—as he is called by everyone in the Thicket—forced the feasibility study to completion. The task extended over three years during which time his motives were constantly impugned by opponents of the park proposal.

With backing from conservation groups, the study—containing a recommendation for a state park—was finally presented to Governor John Connally in March, 1965. No action was taken. The following year the State Parks and Wildlife Commission did approve creation of a 15,000-acre chain of parks in the Thicket. Nothing came of this.

Having foreseen the probability of a stalemate, a handful of courageous propark Thicketites met in a small church in Saratoga in November, 1964, and formed the Big Thicket Association—to press the park fight at federal level if necessary. Under stewardship of indefatigable Dempsie Henley, hundreds of people—many from outside Texas—now subscribe the $5 annual fee for membership to assist in the struggle. The association has purchased the abandoned Saratoga school properties and converted them into permanent headquarters and a potential museum. The organization has been so successful in re-educating Thicketites on the importance and true purposes of the proposed park that nearly 5,000 people attended the last annual get-together.

One result of the association's activities has been a new survey of the area by the U.S. Department of Interior. Their report recommends a multi-county, nine-area "chain of pearls" totalling 35,000 acres. Each of the nine units has been selected for a special purpose and all would be connected by a special scenic road system.

A national outcry ensued that the park should be on the order of 200,000 acres. Texas Senator Ralph Yarborough in compromise introduced a bill calling for 75,000 acres.

Meanwhile, the Big Thicket Association pads in and out of court with what they describe as "almost the regularity of a goose going barefooted" to protect the public interest from illegal operations such as "log-legging" on public lands and improper sales of timber on public rights-of-way. The association currently fights a delaying action to save the Loblolly Unit in the chain of pearls. This 548-acre stand of *virgin* pine and hardwood lies only 57 miles from downtown Houston.

Now land speculators have moved in to feast on the results of the recent national publicity for the Big Thicket. One of them has subdivided an area ardently desired in the park for its orchids, pitcher plants and other rare vegetation.

And finally the Federal Government in a classic example of Washington confusion may well have tendered the *coupe de grace*. At the same time the Department of Interior prepared its latest feasibility study for a park in the Thicket, the Department of Agriculture processed plans that, if carried through, will everlastingly destroy the Thicket as a botanical wonderland. Through their recently commissioned Southeast Texas Resource Conservation and Development Project, Department of Agriculture verged on *draining all the counties in the Thicket*. The Big Thicket Association learned this in the nick of time, persuading the Commissioners Court of Hardin County to halt the key project which blocked the drainage for the time being.

Thus the combination of forces working toward destruction of the Big Thicket appears well nigh overwhelming. But a ray of hope for preservation suddenly flashes from an unexpected direction. Certain lumber companies have lately indicated a developing sentiment favoring the park idea after all. Several have rather enthusiastically cooperated in recent reexaminations by the Department of Interior to update its park feasibility survey of 1965. Perhaps the magnificent natural cathedrals within the Big Thicket have finally reached the hearts of industrial bishops.

SENATOR SPARKMAN'S EXCELLENT SPEECH TO NATIONAL HOUSING CONFERENCE

Mr. PROXMIRE. Mr. President, for many years, the National Housing Conference has been the focal point for public interest in programs for housing, urban renewal, and overall community development. Its membership consists of representatives of public interest organizations, local officials, labor officials, and business and professional groups which share the common goal of supporting progressive legislation in this field. It has functioned as a clearinghouse for information and support of these programs over the years, and has played a leading role in securing enactments of the many measures for Federal assistance to housing and community development which have passed the Congress over the past three decades.

The National Housing Conference recently held its 37th annual convention in Washington. Its sessions were addressed by leading Members of Congress, of local government, and of the Federal administration, including the Vice President of the United States.

One of the speakers at the annual convention of the National Housing Conference was the distinguished Senator from Alabama [Mr. SPARKMAN], chairman of the Subcommittee on Housing and Urban Affairs. All of us who know Senator SPARKMAN and his preeminence in the field of housing recognize the significance of his opinion in this field. I believe that Members of Congress and others would benefit from reading his remarks delivered before the convention, so I ask unanimous consent that they be printed at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

ADDRESS BY HON. JOHN SPARKMAN, OF ALABAMA, BEFORE THE 37TH ANNUAL CONVENTION OF THE NATIONAL HOUSING CONFERENCE, WASHINGTON, D.C.

I am pleased to speak once again at the Annual Meeting of the National Housing Conference.

Your meeting is well timed. We are about to embark on consideration of a big housing bill for 1968.

On Washington's birthday, the President sent his Housing Message to Congress on "The Crisis of the Cities." He painted a gloomy picture of American cities on the brink of disaster overwhelmed with staggering human and physical problems. He said there is no time to lose. He urged immediate action and outlined a plan of operation calling for new programs involving billions of Federal dollars.

The housing bill to implement the President's message came to Congress early last week. From the size of the bill and the tremendous dollar commitment that the Congress has been asked to approve, we see a rough road ahead.

We will need your support and the help of all of those interested in housing and urban problems to get the bill passed and signed into law.

I note that the Housing Subcommittee has scheduled your President, Nat Keith, as a witness this coming Friday. We will be glad to hear from him.

I should like to say a few words about the President's bill, but first I believe that a little background is in order.

Our Housing Subcommittee just published a pamphlet called "Congress and American Housing." It contains a listing and a brief description of housing legislation passed by the Congress since 1892.

It is interesting to look back over the many housing laws passed by Congress. Would you believe that over 200 housing bills have become law during this period of time?

The first significant housing legislation was passed in the early thirties and, since that time, very few years have gone by without a housing bill becoming law.

Now with all of these laws, most of which liberalized Federal assistance programs, it is natural to ask—Why the crisis of the cities? What went wrong? Were the laws unresponsive to the problem? Was it because of poor administration? Or was the problem caused by other factors over which we had no control?

Obviously there is no simple answer. We were dealing with complex social and physical problems which were developing faster than they were being solved.

Many changes—social, economic and political—have occurred in this nation in the last 30 years which brought about dramatic upheavals in the living patterns of the American people.

Powerful forces that no one could have foreseen moved rapidly to break down relatively sound and stable neighborhoods within most of our cities. Not the least of these was the unprecedented migration of our people from rural to urban and from urban to suburban areas. Our prosperity speeded up the migration process and, in many respects, contributed to the erosion of the cities.

As the affluent citizen moved to the suburbs, he was replaced by newly arrived rural residents who were not equipped, either by training or financially, to maintain the property. The results were rapid decay of the centers of the cities.

In response to these swift changes, I am afraid our Federal assistance came too little and too late.

Our most successful programs under the Federal Home Loan Bank System, the Federal Housing Administration and the Federal National Mortgage Association started out well but later became oriented to the higher income families in suburbia, and we were never able to redirect them to our greatest problem—the cities.

Our other big programs, public housing and urban renewal, were successful in doing the job they were originally intended to do. But they were slow-moving and inflexible and no match for the fast-moving forces of erosion spreading over the inner core of most of our cities.

Our smaller programs, code enforcement, urban planning, workable program, open space, and others, contributed in a small way but were impotent against the rising tide of deterioration.

Now I want to make it clear that I am not criticizing these programs. For the most part, they were successful in helping to provide better housing for the American people. On any kind of absolute scale, U.S. families are the best housed in the world—and far better housed in 1968 than in 1938.

We have come a long way since President Roosevelt's famous statement in 1937 of one-third of a nation ill-housed. Actually, it was worse than that. According to the 1940 Census, 49 percent of our people were ill-housed. Today, we have no up-to-date figures, but it is probably somewhere between 10 and 15 percent.

However, our problem today is the wide disparity in housing conditions amongst our people and the heavy concentrations of the ill-housed in the inner city. We also have concentration of the poorly housed in our small towns and rural areas.

These are conditions which are serious and are like canker sores threatening to spread and sap the very strength and vitality of our nation. This cannot be tolerated in a nation that has the resources and the capacity to do better.

I must admit that our progress has been disappointing and I believe that part of the frustration comes from the failure of expectations. We did expect great things from the Housing Act of 1949 and we welcomed the 1954 changes to broaden urban renewal to cover rehabilitation and conservation.

Likewise, the 1961 Housing Act, with its 221(d)(3) program, and the Housing Acts of 1964, 1965, and 1966 with their 3 percent interest rate programs, the rent supplement and model cities programs all gave rise to hope and, I suppose, a false sense of security.

I bring up this past history for the purpose of reflecting on what we have done, on mistakes we may have made, and what we have learned from them as we tool up again for an all-out attack on city problems in 1968.

One thing we have learned is the necessity for a balanced program between providing pure shelter and a good living environment. During the 1950s, I believe that too much of our energies went towards slum clearance and city rebuilding with inadequate attention to homebuilding and the provision of shelter for the displaced and the low and moderate income families.

During the past few years, the pendulum has begun to swing back towards a greater concern about housing, for example, the 221(d)(3) program, the rent supplement program, turnkey public housing and the current emphasis on homeownership, credit assistance and the FHA's involvement in high risk insurance.

I have felt that, unless we can find a way of supplying more good housing at reasonable prices, all of our efforts on urban renewal and model cities will be in vain.

I am very pleased that the emphasis of the President's 1968 housing proposals is on more housing for low and moderate income families. I believe that we can meet his 6 million unit housing goal but it may require some readjustment of our Federal spending priorities.

Our more balanced approach towards the housing problems of the cities involves a reconsideration of the urban renewal program.

The slow-moving project technique is not the answer to the current restlessness and demands of our city people. They do not want to wait 10 years or longer for solutions to their problems. This has been recognized in the President's proposal to make urban renewal more flexible through the neighborhood development program.

As I understand it, the city would have considerable flexibility of using Federal funds to develop small pieces of large project areas when ready. By funding these smaller undertakings on a program basis rather than a project basis, a more efficient use would be made of the urban renewal funds and definite progress could be made related to the city's overall plan for city rebuilding.

Closely related to the shortcomings of the urban renewal program has been deficiencies in the housing rehabilitation and code enforcement programs. These programs were authorized in 1954 but, unfortunately, were more theoretical than practical.

The difficulty was basically a false premise that housing improvements could be legislated in a vacuum without regard to related economic and social influences.

I have heard favorable reports on the success of the Federally-assisted concentrated code enforcement program initiated 2 years ago. With proper handling, this can be an effective tool to help hold the line and stop the serious decay before it begins.

Rehabilitation, however, is still missing an important ingredient which, I am hopeful, the 1968 legislation will supply. That is the development of a technique and an industry to carry out rehabilitation on a volume basis.

This is the only way by which rehabilitation can become successful and I believe that all ingredients for such a program are present in the legislative proposals now before us.

I believe that the rehabilitation program will benefit from a provision in the bill which would authorize the establishment of a National Housing Partnership. This is one of the most important features of the 1968 proposal. The purpose, as you know, is to involve the might and resources of American industry to help solve the city problems. Rehabilitation would be a prime challenge under such a program.

There is one item that eludes us all, that is, the cost of housing. It seems to go higher by the month and sometimes I wonder whether our Federal subsidy is being lost down the drain of rising costs.

Every other major production item in our economy has survived rising labor and material costs only through increased production efficiency. These efficiencies have come about primarily as a result of tremendous expenditures for research and development. Housing has never had this opportunity.

However, a major breakthrough occurred last year when the Congress appropriated $10 million for research and development. This year the budget request is for $20 million and I am hopeful that this is the beginning of a fully financed intensive effort to conduct the research needed to put the housing program on a more efficient basis.

One of the items of cost is land and here again we need to find ways of housing our people without recourse to exorbitant land costs.

The President is proposing a new program for new community development financed through FHA insurance of land development bonds. According to the Administration, the net effect of this would be to relieve some of the pressure on land in and around existing large cities and hopefully develop well-planned communities with good and reasonable housing for all.

The other element of cost which also has risen to alarming levels is the cost of mortgage credit.

You all are aware of the issue facing the Congress to remove the FHA statutory interest rate ceiling of 6 percent.

I regret that it is necessary to permit higher interest rates on government-insured mortgages, but I believe that under the current circumstances there is no alternative.

The practice of charging discounts as part of FHA financing is a vicious thing. In some of our programs, the section 213 cooperative program, for example, lenders are asking 12 points and, unless FNMA will buy the mortgages, these points must be paid.

Up until recently, I opposed removing the ceiling because I believed that the money managers of our economy would be able to turn back the rising money rates. Theoretically, a well-managed monetary system could control the supply of capital without resort to complete dependence upon interest rates. This, of course, would mean the flexible use of both monetary and fiscal policies and limited money management controls.

Unfortunately, the way things have worked out over the past several years, the practical facts are that money has become very expensive and, if we want housing, we have no alternatives but to succumb to the facts and pay the going price.

Now this leads me to another feature of our new housing bill—interest rate subsidies.

Last year our Committee approved the principle of interest rate subsidy in two programs—homeownership for lower income families and college housing. This year, the President has come up with another interest subsidy program—rental housing for low and moderate income families. Here he would convert the 221(d)(3) and 202 low interest, Federally supported programs into a privately financed interest subsidy program.

We would then have three basic subsidy programs—the rent supplement program, the interest subsidy program, and the public housing program. The first two would carry market rates of interest with subsidies of varying amounts coming from the Federal government to the lender over the life of the mortgage. The third, public housing, would carry, as you know, the lowest rate because of the tax benefit to the bond holder.

There are many considerations to this new financing device which need to be studied. It has the advantage of flexibility because the subsidy would vary according to the going private interest rate at the time of mortgage origination. But it has the disadvantage of building high interest rates into the system because there would be no incentive for the sponsor to get a lower rate as long as Uncle Sam pays the bill.

Also there is no provision for rewriting the mortgage to a lower rate in case interest rates drop substantially during the 40-year life of the mortgage loan.

There is one more comment that I want to make about our 1968 housing effort.

Some people believe that the only answer to slums and city problems is money. They point the finger at Washington and the Congress and denounce them for failing to appropriate huge sums of money to save our cities.

Those of you who are familiar with my stand on housing know how persistently I work for Federal assistance for housing. However, I disagree strongly with the attitude of some who constantly look to the mote in the eyes of Congress rather than to the beam in their own eyes.

All of the money in the Federal Treasury would not solve the problems of our cities. I believe that these problems will only be solved when our nation and all of us are willing to utilize to the fullest extent possible all of our available resources.

Let me tell you what I mean.

One of America's proudest boasts is the efficiency of its private enterprise system. This efficiency has been developed and perfected generally by big business and industrial complexes with their tremendous concentration of skills, financial resources and managerial talent. The cities of our nation are crying out for help from such businesses and I hope that they respond. This is one resource of our nation that needs to be tapped if we are to solve the problems of the cities.

Another resource related to this is the financial might of our big banks and savings institutions. These groups must reconsider their positions and be prepared to make credit available where needed at rates consistent with the needs of the community.

We have been hearing a great deal about financial institutions stating publicly their willingness to finance city development. However, the experience to date is disappointing.

Up to now we have not found the answer for this industry to carry its load in the job facing us. I am hopeful that several provisions in our 1968 legislation will help but, in any event, unless this resource is more fully available, I woud be pessimistic of our success.

The last resource that I feel is a "must" if we are to succeed in this endeavor is the goodwill and personal interest of the residents of these areas. Self interest is the strongest motivation for action and somehow we have to tap this self interest in the upgrading and rebuilding of the run-down areas.

This reasoning was the basis for the new homeownership program for lower income people in our bill, S. 2700. It is also the basis for our support for the formation of neighborhood nonprofit groups and self-help provisions in the proposed legislation.

Goodwill cannot be bought and it is really not a Federal function to culture it, but it is extremely vital to our success, and I hope that our local people recognize its importance.

There are other resources, of course, which need to be tapped if the Federal dollar is to be effective. The measure of our success will be the extent to which this is done.

Let us hope that when someone speaks to the National Housing Conference thirty years from now there will be no need for apologies on the failure of voluminous housing laws to make our cities pleasant and enjoyable places in which to live.

I have enjoyed talking with you.

Mr. PROXMIRE. Mr. President, the resolutions adopted at the annual convention of the National Housing Conference represent an important contribution from all segments of the housing and urban development fields. I believe it would be helpful for Members of Congress and others to read the resolutions in order to have a better understanding of the problems plaguing our cities and the solutions recommended by this group of outstanding professional and civic leaders.

Mr. President, I ask unanimous consent that the resolutions be printed in the RECORD.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

RESOLUTIONS ADOPTED BY THE MEMBERSHIP OF THE NATIONAL HOUSING CONFERENCE, AT THE ANNUAL BUSINESS MEETING, MARCH 3, 1968, WASHINGTON, D.C.[1]

(By David L. Krooth, chairman, resolutions committee)

CHAPTER A. GENERAL STATEMENT OF OBJECTIVES

NHC calls for the establishment of a national goal to eliminate all slums and substandard housing in the next 20 years and to build enough housing to replace them during that period. We must also build sufficient housing to provide for the one-third increase which will occur in our population during that period.

It is not enough to build new housing. In addition, the supply of existing homes must be brought up to a decent living standard. At the same time, there must be an intensification of social programs for the improvement of the quality of American life. While we recognize that the Vietnam conflict is a major economic cost, we must also continue to protect our home-fronts. The need for decent, safe and sanitary housing is at the heart of the crisis in our cities. We must take vigorous and immediate action to provide good homes in good neighborhoods in order to avoid the ever-increasing demon-

[1] Except as it relates to some new legislative proposals recently made by the President of the United States, this report of the Committee on Legislative Policy was approved by the NHC Board of Directors.

strations and violence in our cities and to respond to the hope and aspirations of the ill-housed.

To initiate a program now at a rate necessary to accomplish our 20-year goals, NHC urges adequate measures to redress the imbalance and restore strength and vigor to residential building. We must bring construction up to the level commensurate with the housing needs of the people and with the requirements of a healthy expanding economy. A decent home in a good neighborhood for every American should become a reality.

Last summer the Nation experienced widespread urban riots. The crisis in our cities has finally replaced the complacency of our affluent society with a demand for action on a scale commensurate with the need. The scope and severity of the housing problems of our ghettos have been increasing constantly. So have the human suffering and disillusionment caused by those problems. In these Resolutions, NHC presents the measures which we deem essential to solve these problems and alleviate the crisis in our cities.

CHAPTER B. MESSAGE OF THE PRESIDENT OF THE UNITED STATES ON THE CRISIS IN OUR CITIES

1. On Washington's birthday, President Johnson sent his message to Congress on "The Crisis of the Cities." The message contains the President's most comprehensive and far-reaching recommendations on housing, model cities and urban renewal. The message conveys a new emphasis and a new sense of urgency concerning the action necessary to meet the crisis in our cities. The message is an inspired call for action by the Congress and by all segments of America. NHC applauds the leadership of the President and supports his recommendations on the measures described below. We strongly urge Congress to take prompt action to adopt the Housing and Urban Development Act of 1968, with the amendment and additions which we are recommending in these Resolutions.

2. We quote some excerpts from the President's message [2] presenting a clear and emphatic description of the crisis in our cities:

"For several decades, now, the tide has run against the growth, strength and vitality of our cities. Today, America's cities are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present. * * *

"We see the results dramatically in the great urban centers where millions live amid decaying buildings—with streets clogged with traffic; with air and water polluted by the soot and waste of industry which finds it much less expensive to move outside the city than to modernize within it; with crime rates rising so rapidly each year that more and more miles of city streets become unsafe after dark; with increasingly inadequate public services and a smaller and smaller tax base from which to raise the funds to improve them.

"If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel. There is no time to lose. * * *

"No single statement or message can embrace the solutions to the city's problems. No single program can attack them. No one can say how long it will take, or how much of our fortune will eventually be committed. For the problems we are dealing with are stubborn, entrenched and slow to yield. * * *

"Today, however, I want to speak of programs designed especially for our cities—of shelter for its citizens and plans for its revitalization. This message, too, is for men and their families. For our lives are profoundly affected by the environment in which we live, the city in which we work and reside, the home in which we relax and renew our strength. * * *"

[2] For brevity in this and other quotations, paragraphs from the message are sometimes combined and there are omissions which are shown by asterisks. Also, underscoring is deleted.

I. The major recommendations in the President's message, summarized

1. A total of 26 million new homes and apartments should be built over the next 10 years. Of these, 6 million will be for families of low and moderate incomes at the average rate of 600,000 annually.

2. The proposed Housing and Urban Development Act of 1968 will provide for the first 5 years of this 10-year program. During the initial 5 years, it authorizes the construction and rehabilitation of 2.35 million housing units for those of low and moderate incomes. It contains $2.34 billion of contract authority for this purpose.

3. Under this legislation, 300,000 housing units will be started with federal assistance during fiscal year 1969. These are identified as being for the poor, the elderly, the handicapped, the displaced and families with moderate incomes.

4. A new program would enable lower income families to buy or repair their own homes. During fiscal 1969, it would authorize 100,000 housing units to be built or repaired. The message indicates that the broad outlines of this program have been set forth in S. 2700, the Sparkman Bill reported by the Senate Banking and Currency Committee last year. There would be private financing of the mortgages at market rates of interest. Families would pay a specified percentage of their income for mortgage payments, with the Government paying the difference in the form of an interest subsidy. The Federal Government would pay all but 1% of the interest on the mortgage, if necessary, based upon the income of the homebuyer. The specified percentage of income for mortgage payments—excluding maintenance, repairs and utility costs of housing—would be 20%.

5. During fiscal year 1969, there would be 40,000 housing units started for moderate income families under a supplement to the 221(d)(3) program which would be added as Section 236 of the National Housing Act. It would involve private capital financing at market interest rates instead of FNMA special assistance purchases of mortgages at below market interest rates. The Government would provide an interest subsidy just as it contemplated under the new home ownership program. In place of the present effective interest rate of 3%, the Government's interest subsidy would make up the difference between the market rate of interest and a rate which could be as low as 1%, depending on the income of the family.

6. The 75,000 public housing units would be started during fiscal 1969, with emphasis on the "turnkey" program.

7. The rent supplement program would be increased by an authorization of 72,500 units. The President contemplates 35,000 units would be started under this program in fiscal 1969. Congress provided only $10 million to pay rent supplements in fiscal 1968, but the President is requesting $65 million for fiscal 1969.

8. $7.5 million would be provided as loans and grants to nonprofit sponsors of housing for needed technical assistance and skills.

9. The model cities program would be greatly increased. It is recommended that $2.5 billion be made available for supplementary grants over the next 3 years. Of this amount, there would be $500 million for fiscal 1969 and $1 billion each for the next 2 fiscal years. Also, the President recommends $500 million as an additional appropriation for fiscal 1969 for urban renewal solely related to the model cities program. Thus, the total authorization for the model cities program would be $1 billion for fiscal 1969.

10. To give communities sufficient lead time for planning urban renewal projects, the President recommends an appropriation now of $1.4 billion for fiscal 1970.

11. The secondary market operations of FNMA would be transferred to private ownership. This change is not to affect the Government's special assistance to selected types of mortgages which are not readily accepted in the private market. This Government operation would be handled by an agency known as the Government National Mortgage Association.

12. The Secretary of HUD would be authorized to increase FHA interest rate ceilings to reflect the rates in the financial market. The President has already made a similar recommendation for an increase in the interest rates on home loans to veterans.

13. HUD would be authorized to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages held by private institutions.

14. The insurance crisis in riot areas would be met by chartering a National Insurance Development Corporation within HUD which would reinsure risks assumed by the insurance industry.

15. The formation of privately-funded partnerships would be authorized so as to enlist private capital and American industry in undertaking housing for low and moderate income families.

16. The authorization for urban mass transportation would be increased from the $140 million now authorized to $190 million in fiscal 1969; also, $230 million is to be authorized for fiscal 1970 so cities can begin now to plan their mass transit programs. A proposed reorganization plan would transfer from HUD to the Department of Transportation the major urban transit grants, loans, and related research functions.

17. An appropriation of $20 million is requested for urban technology and research.

18. For planning the growth of our urban areas, $55 million is requested for fiscal 1969, with $10 million for area-wide incentive grants.

II. Bills to effectuate President's program

The President has recommended a Housing and Urban Development Act of 1968 to effectuate the foregoing and other proposals. This bill has been introduced by Senator Sparkman as S. 3029 and by Congressman Patman as H.R. 15624, which bill is hereafter referred to as the Housing Bill of 1968. The President also recommended a separate National Insurance Development Corporation Act of 1968 to implement his proposals on meeting the insurance crisis of our cities. The latter bill has been introduced by Senator Sparkman as S. 3028 and by Congressman Patman as H.R. 15625, which bill is hereafter referred to as the Insurance Development Bill of 1968.

CHAPTER C. NHC GOALS TO ACHIEVE HOUSING WE NEED

1. While the President recommends an average national goal of 2,600,000 *new* housing units annually during the next ten years, NHC urges that the annual goal should also include *rehabilitated* housing. Accordingly, NHC recommends 3,000,000 units annually of new and rehabilitated housing units. NHC agrees with the President that 2,000,000 units should be built annually for those above the low and moderate income groups who do not need federal assistance. Instead of 600,000 units annually for low and moderate income housing, NHC recommends a goal of 1,000,000 units annually for these income groups. This would include new and rehabilitated housing.

2. Legislation should be adopted requiring the Secretary of HUD to report to Congress each year on:

a. The volume of housing put under contract and the volume completed for the low and moderate income groups during the preceding year through new construction and rehabilitation.

b. His recommendations of the actions necessary in the coming year to achieve an annual goal of 1,000,000 new and rehabilitated units for these income groups.

In this manner, Congress would be informed each year as to the deficit in housing production for these groups and the recommendations of the Secretary concerning the measures necessary to eliminate this deficit and to meet the goal during the coming year. The Secretary should also report on the compliance with the new legislative requirement that residential urban renewal areas include sufficient standard housing to result in marked progress in serving the poor or disadvantaged people living in slum and blighted areas. NHC endorses the provisions of the Reuss-Ashley-Moorhead Bill H.R. 12142, which contain the substance of this and other past recommendations of NHC, except that we now recommend a revision of the annual housing goal to accord with the present need for 1,000,000 new and rehabilitated dwellings for low and moderate income groups.

CHAPTER D. NECESSARY AUTHORIZATIONS TO BEGIN ACHIEVING OUR HOUSING GOALS AND ALLEVIATING THE CRISIS IN OUR CITIES

We need the following authorizations and programs to initiate adequate action toward meeting our 20-year goals.

I. Urban renewal

NHC recommends an annual rate of $3 billion for urban renewal grants for a 5-year period. This increase takes into account:

1. The increased need for urban renewal funds as part of the model cities program.

2. The expansion of the rehabilitation program which requires write-downs in value, in order to permit successful rehabilitation at low enough carrying charges.

3. The continuing importance of urban renewal to permit central business districts to achieve their great potential for increased employment opportunities.

4. The long accumulated backlog of unfilled requests.

5. The anticipated applications for new urban renewal programs. An increased urban renewal authorization will have a limited budgetary impact during the next several years. Because of the long lead time for urban renewal projects, it would take almost four years before actual appropriations would be required for the proposed increased rate of urban renewal grants. NHC supports the President's recommendation to give communities more lead time for planning urban renewal programs by making an appropriation of $1.4 billion now for fiscal 1970. We suggest that this same principle should be applied to all future urban renewal and other authorizations recommended in these Resolutions.

II. Model cities

NHC recommends supplemental grants for model cities of $1 billion a year for a 5-year period. We also recommend that $50 million in model-city planning funds be made available annually for a 5-year period. Many cities that applied for model cities grants could not be approved because of lack of funds. NHC urges that the model cities program be made available to *all* qualified cities which apply; and that additional funds be made available to the cities which received inadequate grants.

III. Public housing

NHC recommends an increase in public housing to an average rate of 200,000 units annually for a 5-year period. Initially, the annual rate should be 150,000 units, but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years. This authorization should include all forms of public housing programs, including the conventional type, turnkey and leasing.

IV. Rent supplements

NHC recommends a rent supplement program at an average annual rate of 100,000 units for a 5-year period. Initially, the annual rate should be 75,000 units, but it should be accelerated each year until it reaches 125,000 units in the fourth and fifth years. We again urge that appropriation acts authorize rent supplement contracts for the full amounts provided in the basic housing legislation.

V. Rental and cooperative housing for moderate income families under 221(d)(3)

NHC recommends that the 221(d)(3) program and the new supplement to it through interest subsidies be increased to an average annual rate of 300,000 units for a 5-year period. Initially, the annual rate should be 225,000 units, but it should be accelerated each year until it reaches 375,000 units in the fourth and fifth years. This program provides rental and cooperative housing for those whose incomes are above the maximum set for admission to public housing, but below the amount needed to obtain standard private housing financed without federal assistance. The President recommends that the new supplement to the 221(d)(3) program provide for private mortgage financing at a market interest rate, with an interest subsidy under which the Government would make up the difference between the market rate of interest and a minimum of 1 percent.

VI. Home ownership for low- and moderate-income families

NHC endorses the proposal in the President's message to help low income families achieve home ownership. The Government would pay all but a minimum of 1% interest on the privately-financed mortgage, depending upon the income of the homebuyer. Under the new home ownership program, NHC recommends a 5-year program at an average annual rate of 200,000 units for a 5-year period. Initially the annual rate should be 150,000 units but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years.

VII. Housing for the elderly

The Section 202 program and the new supplement to it through interest subsidies under the Housing Bill of 1968 should provide an average of 30,000 housing units for the elderly each year for the next 5 years.

VIII. College housing

NHC recommends a 5-year authorization of $1 billion annually of loans at below market interest rates for the college housing program.

IX. Mass transit grants

NHC recommends additional mass transit grants of $750 million per year for a 5-year period.

X. Water, sewer, and community facilities and improvements

NHC recommends a 5-year authorization of $2 billion annually for grants to local governments for basic water and sewer facilities and other types of public improvements and community facilities. Of the $2 billion, $250 million should be available annually for the open space program.

XI. FNMA special assistance

NHC recommends that the revolving fund for FNMA special assistance be increased by $3 billion in order to implement and carry out the programs recommended in these resolutions. We further urge that the full balance of the FNMA special assistance funds be made available and utilized for the purchase of FHA-insured mortgages on cooperative housing under Section 213, housing in urban renewal areas under Section 220, nonprofit housing for the elderly and other programs eligible for special assistance.

XII. Budget impact of housing goals

1. The annual budget impact of the programs to achieve the foregoing housing goals will be relatively modest during the proposed 5-year period. Too many people feel that the burden on the Federal Budget is represented by the total production cost of the housing involved. Yet, on the housing program for the low and moderate income groups, there is a relatively small cost *each year* in relation to the large dollar volume of housing produced and the large number of families served. During each year under the contracts on the housing covered by the 5-year program proposed by the President, the total annual cost would be only $2.34 billion after all that housing is completed and occupied. This is the amount of contract authority recommended by the President and included in the Housing Bill of 1968. It covers the new home ownership program, the new supplement to the 221(d)(3) program, the rent supplement program, and the low-rent public housing program. NHC has recommended increases in these housing programs above the levels recommended by the President and included in the Housing Bill of 1968.

2. The $2.34 billion relates solely to the housing programs for the proposed 5-year period. Additional appropriations are required for the other programs including: model cities; urban renewal; water, sewer and community facilities; and mass transit. These housing and other programs are necessary to meet the crisis of the cities and they require expenditures in the amounts which NHC is recommending. They should be given the money they need to do the job that must be done. The amount of these federal appropriations and authorizations represents a proper allocation of our national resources to assure that the human needs of our people are met—which includes their need for a good home in a good neighborhood. By providing these authorizations, the Nation will be giving these programs the high priority which they deserve in the Budget.

3. Increases in all of these programs will stimulate economic activity and result in increased federal tax payments. Consequently, the Treasury will receive added income which will substantially offset the federal expenditures for housing and urban assistance.

XIII. Initial authorizations to be accelerated

In the initial year, the foregoing recommended authorizations for various housing programs do not total the 1-million unit goal of housing for low income and moderate income families. We recognize it will take time to build up the rate of annual production to this goal. Accordingly, the proposed authorizations start at 600,000 units in the first year and accelerate each year thereafter until they reach 1 million units in the fourth and fifth years for those of lower and moderate incomes. This allows time to increase the capacity of private and public agencies, labor and industry to achieve a production rate which would fulfill our goals. We are pleased that the housing programs in the Housing Bill of 1968 provide for annual authorizations at an accelerating rate in succeeding years during the initial 5-year period.

XIV. New programs as supplements to existing programs

1. While NHC supports new programs to meet urgent needs, NHC reaffirms its continuing support of existing programs which have proven their success. This includes the conventional public housing program and the program under Section 221(d)(3) which the President recommends should be expanded under a different financing formula.

2. New programs should be recognized as supplements. They are not substitutes for the existing programs which have borne the brunt of the effort to meet the housing needs of the disadvantaged. We reject the implication that existing programs—such as conventional public housing—have allegedly failed and that we must turn to new ones because of those failures. As described below, these programs have suffered from inadequate authorizations of funds for necessary social services, maintenance and renovation—conditions which are now being remedied partially. We are add-

ing new programs to expand the volume of housing and broaden the participation in meeting urgent needs.

It takes time to bring new programs into effective operation. Existing programs are already functioning. They can and should be expanded so that they can continue to do the ever-increasing job that must be done.

CHAPTER E. MODEL CITIES AND METROPOLITAN PLANNING

I. Comprehensive and concentrated attack on neighborhood decay

NHC reaffirms its endorsement of the model cities program to launch massive local programs for the upgrading of entire neighborhoods through the concentrated and coordinated use of all available federal aids and local private and governmental resources, including the supplementary federal grants for such model cities. We urge acceleration in authorizing disbursement and release of funds under the present program. In his message, the President stated:

"The Model Cities program gave us the tools to carry forward the nation's first comprehensive concentrated attack on neighborhood decay. It was developed by some of the country's foremost planners, industrialists, and urban experts. The program is simple in outline—to encourage the city to develop and carry out a total strategy to meet the human and physical problems left in the rubble of a neighborhood's decay. That strategy, which Model Cities spurs through special grants, is to bring to a dying area health care services, as well as houses; better schools and education, as well as repaved streets and improved mass transit; opportunities for work, as well as open space for recreation."

We are pleased to note that the Housing Bill of 1968 provides for an increased authorization of $1 billion for each of the fiscal years 1970 and 1971 for supplemental grants. Of these funds, any amount authorized in any fiscal year, but not appropriated, may be appropriated for any succeeding fiscal year commencing prior to July 1, 1971. NHC recommends a 5-year program of supplemental grants for the model cities program at the rate of $1 billion a year. We also recommend that at least $50 million in model cities planning funds be made available annually for a 5-year period.

II. Federal and local coordination

To achieve the objectives of this program, full coordination is required between all of the participating constituents within HUD and all of the other participating agencies of the federal and local government. Each of them must effectively use all of its powers and devotion in doing its share of the total job.

III. Increased authorization to enable all qualified cities to participate

NHC seriously questions the policy which discriminates against cities of equal capacities and equal commitment to accomplish the laudable objectives of the law. There are many cities which can meet the requirements of the model cities program and which are vitally interested in availing themselves of this imaginative approach. Yet, these cities are denied participation because the program was to be limited to 60 to 70 cities as a demonstration—actually the initial group included 63 cities. NHC urges that the model cities program be made available to all qualified cities which apply. As recommended above, adequate funds should be authorized for the model cities program to enable participation by all qualified cities; also, to provide the additional funds needed by the cities which are now participating in the model cities program.

IV. Expansion of other programs necessary for goals of model cities

The model cities program cannot achieve its goals and provide necessary housing:

1. Unless urban renewal activities are greatly expanded.

2. Unless adequate grant funds are available for water, sewer, and neighborhood facilities, and for open-space and urban beautification.

3. Unless there is a sufficient increase in the supply of adequate low and moderate income housing in the model cities. To avoid serious relocation problems, new housing and related community facilities should be developed extensively on vacant land or other sites not involving substantial residential displacement. Such housing should not be limited to what will be developed in the model neighborhood area or the city itself.

In order to meet the foregoing needs, increased authorizations and programs are necessary as recommended in these Resolutions.

V. Metropolitan planning

NHC endorses the President's recommendation that $55 million be appropriated for fiscal 1969 as supplemental grants for the orderly growth of our urban areas. These are needed to achieve more effective coordinated metropolitan area planning and program development. In addition, NHC supports the President's request for a $10 million authorization for a program of area-wide incentive grants in fiscal 1969. These grants would stimulate the development of sound plans and programs to accommodate the vast expansion in population which will occur in these areas over the coming decades.

At the same time, we again point out that the requirements for public facilities of all types—which will be needed in support of the impending sharp expansion in urban population—will greatly exceed present funding of the federally-aided programs. Substantial increases in these authorizations are essential in view of the severe limitations on local governmental financial resources.

CHAPTER F. URBAN RENEWAL PROGRAM

I. Major importance of urban renewal

NHC agrees with the President's statement concerning the major importance of the urban renewal program:

"Urban Renewal is the weapon that deals primarily with the physical side of removing blight. An essential component of the Model Cities Program, it is a major instrument of reform in its own right.

"Last year, nearly 900 American communities were reclaiming inner city land under urban renewal."

II. Advance appropriations to give cities more lead time

As previously stated, we support the President's recommendation for appropriations now of the funds for fiscal 1970 in order to give communities more lead time for planning their urban renewal programs. We recommend that this also be done for future fiscal years. Further, to effectuate the stated objective of the message to overtake the decay of our cities and make urban renewal more immediately responsive to urban needs, NHC recommends an annual rate of $3 billion for urban renewal grants for a 5-year period instead of $1.4 billion recommended by the President for only fiscal 1970.

III. New neighborhood development program

The President's message further recommends legislation which would permit detailed planning and execution to proceed segment by segment in an urban renewal area. Under existing law, neither demolition nor rehabilitation can begin on any portion of the renewal area until the renewal process is ready to begin throughout the entire area. NHC supports the new proposal which would enable cities to start work quickly on the most pressing problems.

IV. Amendments recommended to urban renewal laws

NHC also recommends amendments to the urban renewal laws, as described below:

1. On capital grants for urban renewal, code enforcement, and other comparable programs, there should be an increase in the federal grant to ¾ from the present ⅔ which is paid to larger cities. The ¾ grants are now made only to smaller cities, but they are equally needed by larger cities. Further, where the community elects to finance survey and planning costs at its own expense, the project capital grants should be increased to ⅚ from ¾. Pooling of all such grants shall be permitted for all urban renewal projects in the city.

2. A successful rehabilitation program must include a large expansion of the acquisition of residential properties and their sale for rehabilitation purposes. Adequate funds should be made available for grants to write-down the resale price, subject to requirement that the properties be rehabilitated so as to provide housing which low and moderate income families can afford. Further, there are now restrictions on the participation of local public agencies in the purchase and sale or lease of properties suitable for rehabilitation; these should be removed.

3. Loan and grant contracts should be authorized for the purpose of assisting the rehabilitation of scattered properties in residential neighborhoods designated for conservation, rehabilitation, or intensive code enforcement by an approved community renewal program. The cost of any new public improvements serving the rehabilitation properties should be recognized for appropriate grant-in-aid credits.

4. Local public agencies should be authorized to make sales of industrial and commercial land for later development to nonprofit industrial development corporations or properly constituted public bodies on the same basis as is now authorized under economic development laws.

5. There should be a broadening of the existing statutory provisions for recognition of real property tax losses by the locality in an urban renewal area as a local grant-in-aid credit. Such loses should be computed from the date of acquisition of the property to the completion of the redevelopment in accordance with the urban renewal plan for the project.

6. Where there is a project in execution, tax-abatement—provided by the municipality to a private nonprofit or cooperative housing development for the purpose of achieving lower rents and facilitating relocation—should count as a noncash local grant-in-aid to the project.

7. Title I should be amended to provide that gross project costs shall include the fair market value and demolition cost of any substandard building which the local public agency determines should be eliminated, irrespective of whether the local public agency acquires the fee to the property on which such building is located.

8. All renewal programs should include adequate programs—by public agencies, including local housing authorities—for meeting the needs of low-income and elderly families. Where community renewal programs do not contain adequate programs for low-income or elderly families, funds should be made available for necessary studies to formulate such programs, irrespective of the size of the city.

9. NHC supports the objectives of the special urban renewal provisions for central business districts which were introduced in the 88th Congress by Senator Clark and the then Congressman Rains. These would permit waiver of residential requirements in renewing central business districts; recognize that employment, commercial, industrial, and cultural functions of central business districts are of vital importance to community growth and revitalization; and require HUD to accept 100% of site improvements and supporting facilities as part of the gross project cost and as a local grant-in-aid.

10. NHC supports the amendments in the Housing Bill of 1968 which allows urban re-

newal project funds to be used for the restoration of acquired properties of historic or architectural value.

11. NHC favors an amendment to the urban renewal law allowing any public facility to be eligible for non-cash grant-in-aid credit if the development of the facility was occasioned by the urban renewal program and if it is located in a community having more than one urban renewal project; such communities would also have a workable program and a community renewal program.

12. NHC recommends that there should be no limit to the amount of grants to a particular urban renewal demonstration project, under Section 314, so the Federal Government in special cases could pay up to 100% of the cost of the demonstration program.

13. NHC recommends that non-cash grant-in-aid credits be extended to cover air rights involved in the development costs for 221(d)(3) projects for low and moderate income families.

14. NHC recommends that 75% grants under the urban renewal program should be available for the reclamation of otherwise unbuildable land which is located within metropolitan areas. Often there are large available areas of land which are not suitable for building because of problems which can be corrected by appropriate expenditures of public funds, such as the draining of swamps and meadowlands. Such land constitutes a below-ground slum which can be eliminated to make land available which would be suitable for development of residential and other purposes. This will provide convenient sites for housing and other community facilities needed by those now living within the overcrowded areas of central cities.

15. Where state of local law requires abutting property owners to pay a portion of the cost of street repairs, Federal urban renewal grants should be made to cover the owner's share when there is a showing of need.

CHAPTER G. HOUSING PROGRAMS TO MEET NEEDS DURING NEXT 20 YEARS

I. Low-rent public housing

1. The President's message recommends the start of 75,000 public housing units during fiscal 1969. The message then states that:

"The job is to turn authorization to action—by acclerating the processing of applications, by moving quickly from commitment to construction, and by involving private industry fully under the new Turnkey concept."

NHC agrees that acceleration is urgently needed in processing applications and moving quickly to start construction. Such acceleration should include conventional public housing as well as turnkey public housing. For the public housing program, the Housing Bill of 1968 provides for increases in the amount of $100 million annually prior to July 1, 1969, which amount may be increased by $150 million on July 1 in each of the years 1969 and 1970 and by $200 million on July 1 in each of the years 1971 and 1972. There is a need to increase the authorizations for public housing to an average annual rate of 200,000 units for a 5-year period. Initially, the annual rate should be 150,000 units, but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years. This should include public housing of the conventional type, along with turnkey housing and leasing programs. When housing authorities can develop conventional public housing projects promptly and meet other appropriate requirements applicable to the projects, they should receive commitments and funds for such projects and not be required to use the turnkey method.

2. We endorse the following provisions in the Housing Bill of 1968:

a. The increase in the authorization for annual contribution contracts for the low rent public housing program by $100 million on the date of enactment, and by $150 million on July 1 in each of the years 1969 and 1970, and by $200 million on July 1 in each of the years 1971 and 1972. NHC recommends increases in these proposed authorizations to achieve public housing at an average rate of 200,000 units annually for a 5-year period.

b. The revision of the existing ceiling on HUD borrowing from the Treasury for low-rent housing loans. The Bill would provide that the $1.5 billion ceiling would apply only to federal loans which the Secretary estimates will actually be disbursed, and not to federal commitments which are not expected to result in actual outlays.

3. We should perfect the existing housing programs in light of our experience. In the conventional public housing program, this requires the following new federal aids to meet conditions that have been too long neglected:

a. Federal assistance for improved tenant services. We are pleased to note the President's recommendation of $20 million program for this purpose. The message states:

"With these funds, we can enable those who live in public housing to take better advantage of job, health and educational opportunities. We can help and encourage them to become involved, personally and responsibly, in the day-to-day problems of the projects where they live."

This $20 million authorization in the Housing Bill of 1968 should provide social and community services that are urgently needed for families living in public housing; also, training of public housing residents for employment in the project. Local housing authorities should be authorized to contract with social service agencies to provide such services.

b. Additional authorizations of federal annual contributions to enable the conservation and preservation of existing public housing projects through their renovation and upgrading.

c. Additional annual contributions should be provided to meet all costs except those which low income families can afford as rentals. This should include not only the debt service, but also adequate maintenance, conservation and operation of public housing, and the additional services described above. The present needs and costs are higher than those which prevailed when the original annual contribution contracts were signed. If the annual contributions are not raised, local housing authorities would be forced to increase rents and income limits, which would jeopardize the continued achievement of the purpose of this program to serve low income families; also, they would defer necessary maintenance and repairs, which would jeopardize the physical condition and long-term life of the property.

The present annual contributions were computed to assure their adequacy to meet debt service, but without provision for the increased later costs of maintenance and operation; or the need for the additional services described above. There has been criticism of conventional public housing because of its failure to provide social services and because of its lack of conservation through renovation. Correction of these conditions should remove the cause of this criticism and produce a better living environment in public housing.

4. NHC recommends amendment of the United States Housing Act to emphasize the importance of good public housing design to the low-income family and to the local community. We agree with the President that: "Our concern must be not only with the quantity of new public housing, but with its quality as well." We are pleased to note that at the Presidents' direction, the Secretary of HUD has been working with leading architects and planners to achieve higher design standards for public housing developments. New projects can be pleasant places to live, meeting the needs of human beings for comfort and convenience.

5. While we believe the proposal for private management of turnkey housing is of dubious merit, we favor trying this new approach to determine whether it will produce benefits or improve techniques in the management of public housing and the achievement of the program's social objectives. The proposal should be recognized as a pilot and experimental program to be determined by local housing authorities. Meanwhile, NHC reaffirms the wisdom of continuing the present tested management operations through local authorities. They have long experience in handling the operations and problems and social aspects of public housing management. Moreover, they are clearly motivated by the public interest in managing public housing to serve low income families.

6. NHC is impressed by the early evidence of widespread community acceptance of the new provision in the 1965 Act authorizing the use of suitable private housing for low income families through lease or other arrangements between local authorities and the owners and operators of private housing. NHC recommends federal aid to housing authorities which enter into agreements with private developers for the public housing use of portions of new private housing developments.

7. We again commend HUD for its flexibility in using existing legislative tools to develop a program which will enable low income families to live in the same projects as families of moderate incomes assisted under Section 221(d)(3) instead of isolating families of each income group. Under this program, the low income family can continue in occupancy when its income increases, but would no longer receive public housing subsidies; instead, it would get the benefit of a below market interest rate. When the family becomes self-supporting, it would pay the full market rate of interest.

8. Federal and state laws should be amended to enable local authorities to rent available private housing outside central cities for low-rent housing purposes.

9. NHC recommends the following perfecting amendments to the basic low-rent public housing legislation:

a. Authorization to HUD to make federal capital grants to cover the full amount of land and site development costs in excess of the reuse value of the improved land for new low-rent public housing projects which are not located in urban renewal areas.

b. Revision of the annual subsidy formula to permit annual contributions equal to full debt service on permanent financing, with residual receipts being used either for project rehabilitation and improvement or accelerated amortization. At any time after completion of a public housing project, provision should be made for re-opening development cost, if necessary:

(1) to make additional loans for needed rehabilitation or improvements, with annual contributions correspondingly increased; or

(2) to make grants for such other purposes as may be necessary.

c. While the present law provides for disposition of public housing to residents, it covers only detached or semi-detached construction. We endorse the proposed amendment in the Housing Bill of 1968 which would enable disposition of any public housing property which is sufficiently separable for ownership by the residents. In addition, we recommend an amendment which would authorize sale of an entire project to a cooperative with a membership which would be limited to those who would reside in the project. In broadening the authorization for disposition of public housing, the amendment should require a finding that such disposition would not adversely affect the low rent program of the public housing agency involved. The proposed NHC amendment would make it possible for residents of public housing to achieve cooperative home ownership and to produce better and more stable communities. Instead of requiring over-income families to move out of public housing, they should be given the opportunity to acquire ownership by paying a higher monthly charge which they can afford, based upon a percentage of their increased earnings. This amendment will give public housing tenants an incentive to better themselves. As to public-housing tenants whose incomes have not increased, they can either be:

(1) relocated in other public housing projects, with their moving expenses paid, or

(2) permitted to remain in the project as public-housing tenants receiving the benefit of annual contributions so long as they qualify as low-income families. When vacancies occur, they would be filled with over-income tenants from other public housing projects who desire to become cooperative homeowners.

d. Increase the present statutory limits on construction costs per rental room from $2,500 to $3,000 and increase the additional allowance for high-cost areas from $250 to $500; and provide that the only monetary limitation to be applied in project development shall be the statutory room cost. In other words, administrative limitations should not be imposed as is now the case. This would enable local authorities to meet the great needs for large housing units to serve large families.

e. Repeal the provision in the U.S. Housing Act of 1937, as amended, which requires a 20% gap between the lowest private and the upper public-housing limits for admission. Also, permit low-income individuals—in addition to low-income families—to be eligible for occupancy in low rent public housing.

f. Necessary changes in the requirements for participation in low-rent public housing to enable a municipality to construct such housing for those of low-income who will later migrate to the municipality for employment in industries located there or in service activities. This would include new towns or municipalities outside of central cities. It would facilitate dispersal of population and reduction of the concentration of low-income families in central cities.

g. In new and existing low-rent housing projects, there is a great opportunity to provide social impetus and vitality not only to those living in the development, but also the neighborhood. The need is both for physical community facilities on a large scale and for skilled and dedicated personnel to operate them imaginatively. A program was authorized by the 1965 Act for ⅔ federal grants to assist communities in developing neighborhood facilities of all types, with preference to those in neighborhoods involving the anti-poverty program. While this affords a new opportunity to obtain needed physical facilities, the law should be amended to provide for necessary social and counselling services in low-rent housing projects and neighborhoods. Where funds or services cannot otherwise be obtained from other agencies, local authorities should be permitted to use project funds for this purpose. Adequate funds for social and counselling services should be included in the project budget.

h. Neither the new leasing program for use of privately-owned housing for public housing purposes, nor the rent-supplement program for those of public-housing incomes require a local financial contribution in the form of exemption from local real estate taxes. Conventional public housing projects are, therefore, in a disadvantageous position from the standpoint of local governmental acceptance, since they require tax exemption with a payment of 10% of shelter rents in lieu of taxes. To bring such public housing projects in line with the tax payments on these other programs, NHC recommends that local housing authorities be permitted to make payments in lieu of taxes equal to full taxes. Federal annual contributions should be increased accordingly to cover this payment of a full tax equivalent.

i. The special subsidy for housing elderly and displaced persons is now available only in the event of a deficit operation. NHC recommends that this subsidy be made available generally in an amount equal to the difference between the rent paid per month and the average cost of operation.

j. NHC recommends that the documentation required to qualify initially for the leasing program eliminate the unnecessary requirement for development of detailed hypothetical data as to the extent of the potential supply of units.

k. In the 1965 Act there was a repeal as to future projects of Section 10(c) of the United States Housing Act of 1937, which requires that annual contributions to a public housing agency be reduced by any amounts by which the receipts of the agency exceed its expenditures. As a matter of fairness and to meet the needs of public housing agencies, NHC recommends that this repeal should also apply to public housing projects existing at the time of the 1965 Act, as well as future projects.

II. The rent supplement program

1. After pointing out that the rent supplement program holds so much promise for the poor families of America, the President's message states:

"Rent Supplements is a free-enterprise program, strongly endorsed by the home building, real estate, and insurance industries which have responded enthusiastically to this new approach to low-income housing. It contains incentives for escape from poverty, while creating modest, but decent shelter for those in poverty. If we are to match our concern for the cities with our commitments, this program must be adequately funded."

2. The President recommended $65 million in authority for the rent supplement program for fiscal 1969. He pointed out that last year the rent supplement program had been underfunded by the Congress which had granted only $10 million of the $40 million requested in annual payment authority. The Housing Bill of 1968 would make available an additional $40 million in contract authority for rent supplement payments in fiscal year 1970, and an additional $100 million in each of the fiscal years 1971, 1972 and 1973. NHC recommends increases in these proposed authorizations for the rent supplement program to achieve an average annual rate of 100,000 units for a 5-year period. Initially, the annual rate should be 75,000 units, but it should be accelerated each year until it reaches 125,000 units in the fourth and fifth years.

3. Construction cost limitations have been established in the rent supplement program which are unworkable in many high cost cities that face the greatest need for this program. NHC recommends that there be sufficient increases in these cost limitations to make it possible to build rent supplement projects within these cities. Construction costs have been going up without a corresponding increase in the construction cost limitations of the rent supplement program. Only through an increase in construction cost allowances can the rent supplement program fulfill its purpose of serving low-income families in these cities, near the places of employment and public transportation.

4. Counselling and social services should be made available to residents of housing aided by rent supplements. Such services should be allowable housing costs in computing rent supplement payments.

5. In the basic rent supplement program, which involves loans at a market rate of interest and which is designed to serve families who are eligible for public housing, there is a grave question whether these projects will achieve the objective of successful integration of different income groups. Only 10% of the rent supplement program is authorized for use in the program involving loans at a below market interest rate. This part of the program will successfully achieve integration of different income groups in a housing development. NHC urges an amendment to the rent supplement program so that at least one-half of the total authorization is made available for projects: (1) which are financed at below market interest rates—including housing for the elderly; or (2) which combine in one project rent supplement programs for low income families and interest subsidy programs for moderate income families.

6. The present law limits rent supplements to lower income families who are living in substandard housing. NHC recommends that the law be amended to include overcrowded conditions as a substandard housing condition; and to permit any low-income family to be eligible for housing aided by rent supplements so long as the family qualifies as to low income, even though the family does not live in substandard housing. This would meet the needs of newly-formed families and those who are spending too much of their low income for housing.

7. The rent supplement legislation imposes too great a burden on low-income families by requiring them to pay rents equal to 25% of their annual income since rent supplements will pay only the difference between such a rental payment and the fair market rental. To eliminate this hardship, NHS recommends that this rent-paying requirement be reduced to 20% of family income, which would be consistent with the long-established policies under other federally-aided programs.

8. The standards under the rent supplement program should be upgraded to produce better-designed housing which will more adequately meet the needs of families, with attention to their comfort and convenience. The limit of one-bathroom-per-dwelling unit should be removed, as this denies adequate sanitary facilities for larger families.

9. There should be a repeal of the requirement for a workable program of local government approval before rent supplements can be used in a locality.

10. Rent supplements should be made available for moderate-income projects developed under state-aided programs, which provide below market financing to nonprofit, cooperative, or limited dividend organizations.

11. NHC urges the establishment of an additional rent supplement program for nonprofit mortgagors who own buildings which are not financed under Section 221(d)(3). When the buildings meet code standards, rent supplements should be available so that the housing can serve low-income families. Present rent supplement requirements for rehabilitation are often unworkable because they cost too much. Rehabilitation to meet code requirements should be acceptable. This will stimulate rehabilitation and provide standard housing quickly for many more low and moderate income families.

12. Local housing authorities should be eligible as sponsors under the rent supplement program, Section 221(d)(3) below market interest rate program or interest subsidy program, and elderly housing program under Section 202.

III. Housing for families receiving public assistance and others with very low incomes—also, code enforcement

1. Four million American families are receiving all or part of their income from public assistance programs. Many of these families are ill-housed, primarily because welfare grants, in most cities are inadequate to pay the cost of standard housing. NHC urges the enactment of legislation patterned

after that previously introduced by Representative Widnall which would establish and enforce minimum standards for housing occupied by recipients of public assistance. In addition, such legislation should require that public-assistance shelter allowances cover the full charge for decent housing and that the Federal Government bear the entire additional cost above the present inadequate allowances for shelter.

2. NHC recommends Federal grants to housing authorities or other public agencies—as described in Chapter H—to bring housing up to minimum code standards and to make it available for families of low income, including those who are receiving public assistance.

3. NHC recommends that the Federal grants for code enforcement should equal 75%, irrespective of the size of the city. At present the larger cities only receive a two-thirds grant, while cities under 50,000 receive a 75% grant. The larger cities need the 75% grant just as much as the smaller cities. NHC urges an acceleration of concentrated code enforcement in deteriorating areas, together with necessary public improvements to arrest their decline. The costs of code enforcement programs—both for determining Federal grants and local grant-in-aid credits—should include all costs incurred for repair or installation of streets, sidewalks, street lighting, trees, parks, open areas, recreational facilities, and other necessary improvements.

IV. Housing for those of moderate incomes

1. The President's message states:

"A program to provide housing for families with incomes too high to qualify for public housing, but too low to afford standard housing began in 1961. This is a below market interest rate program known as '221 (d) (3).' It serves families earning between $4,000 and $8,000 a year. After 5 years of testing, we are ready now to move this program into full production. But first we must improve it.

"I recommend legislation to strengthen the financial tools under which the moderate income rental housing program operates.

"Under this legislation, capital financing would be shifted to the private sector, and the Government would increase its support by providing assistance to reduce rents to levels moderate income families can afford. Now the Government provides financial support for loans at 3 percent interest. Under this new arrangement, the private sector would make loans at market rates. The Government would make up the difference between the market rate of interest and 1 percent. The loans would remain in private hands."

2. As a supplement to the 221(d)(3) program, the Housing Bill of 1968 adds Section 236 which authorizes contracts for interest assistance payments—subject to approval in appropriation acts—in the amount of $75 million annually prior to July 1, 1969, which amount may be increased by $100 million on July 1, 1969, by $125 million on July 1, 1970, by $150 million on July 1, 1971, and by $150 million on July 1, 1972. A tremendous unmet need exists for housing to serve moderate income families who cannot afford standard private housing without federal assistance. There is a long accumulated backlog of unfilled requests and anticipated applications for additional projects to serve this income group. NHC recommends an increase in the authorization for the 221(d)(3) program and the new supplement to it through interest subsidies, which would provide an average of 300,000 housing units annually for a 5-year period. Initially, the annual rate should be 225,000 units, but it should be accelerated each year until it reaches 375,000 units in the fourth and fifth years.

3. NHC opposes the proposal to increase from 20% to 25% the percentage of family income that must be paid for total housing expenses—including mortgage payments, real estate taxes, utilities, heat, and the estimated cost of maintenance and repair. The proposed interest subsidy would pay only the excess of total housing expense above the amount which represents 25% of family income. During 1966, the statistics show that a median of 19.6% of income was spent for total housing expense under the FHA 203 program. NHC recommends that the present 20% requirement under Section 221(d)(3) be retained in the interest subsidy programs under 236 so that families will not be required to spend a disproportionate amount of their earnings for housing. This is necessary to assure that families will have enough income remaining to pay for food, clothing and other requirements for a decent standard of living.

4. In the 300,000 housing starts for low and moderate income groups proposed by the President's message for fiscal 1969, a total of 38,000 units are expected under the existing 221(d)(3) program at below market interest rates. The funds for these starts under 221(d)(3) are already authorized and available. Accordingly, the Housing Bill of 1968 does not amend the provisions of Section 221(d)(3) as to the continuing below market interest rate program, but supplements it with a new Section 236 authorizing interest subsidies. Under 236, there will be private financing at market rates and interest subsidies to reduce the interest paid by the family to a minimum of 1%, depending upon its income. Besides the 221(d)(3) housing which is to be financed with the FNMA funds now available, NHC recommends that FNMA special assistance funds should be made available and used for 221(d)(3) housing under the below market interest rate program at any time that alternative financing with interest subsidies is not available under the proposed new Section 236.

5. NHC also recommends that Section 221 (d)(3) and the proposed Section 236 be amended to remove the 10% limit on the number of units in a project which may be occupied by moderate-income individuals as distinguished from families. All moderate-income individuals would then be treated in the same manner as those who are elderly or handicapped.

6. The President recommends legislation to provide needed technical assistance and skills to nonprofit sponsors of housing programs. His message states:

"Through grants, loans, and technical assistance, this program will help small private nonprofit organizations in our cities. These organizations will then be able to draw quickly upon architects, engineers and financial experts to speed the construction of low income housing."

NHC endorses the proposed authorization in the Housing Bill of 1968 to make seed capital advances to nonprofit and cooperative organizations to facilitate housing for low and moderate income groups.

7. FHA should remove impediments to the development of housing in high-cost areas, including both high-rise and low-rise buildings. The present cost limits are unworkable for many such areas. The practical effect of present FHA cost limits is to force most of the 221(d)(3) housing into outlying areas, rather than encouraging its construction within the cities where employment and public transportation are available. While FHA allows its present cost limits to be increased if there is partial tax abatement, such tax abatement is often not available because of restrictions in state and local laws. Moreover, many cities face the problems of inadequate revenues and they are reluctant to grant tax abatement. Tax abatement on 221(d) (3) or 236 housing should not be required since it is not required under the programs for public-housing leasing of privately-owned housing or for rent supplements. Increasing these cost limits would help meet the housing needs of large families.

8. FHA should relax regulations and directives which would preclude legitimate nonprofit sponsors from participating in the 221(d)(3) or 236 programs because of burdensome financial requirements.

9. There should be amendment of the FNMA limitation on the unit cost of mortgages purchasable under its special assistance program for 221(d)(3) mortgages. The amendment should extend the urban-renewal-area exception which is applicable to other multifamily housing. This is necessary due to the higher housing costs which generally prevail in urban renewal areas.

V. New program for homeownership for low- and moderate-income families

1. The President's message recommends a new program to enable lower income families to buy or repair their own homes. The message states:

"Home ownership is a cherished dream and achievement of most Americans. But it has always been out of reach of the nation's low-income families. Owning a home can increase responsibility and stake out a man's place in his community. The man who owns a home has something to be proud of and good reason to protect and preserve it. With the exception of the pilot program I began last year, low-income families have been able to get Federal help in securing shelter only as tenants who pay rent.

"Today I propose a program to extend the benefits of home ownership to the nation's needy families.

"Under this program, the broad outline of which has already been set forth in S. 2700, low-income families will be able to buy modest homes financed and built by the private sector. These families will devote what they can reasonably afford—a specified percentage of their income—to mortgage payments, with the Government paying the difference in the form of an interest subsidy. Under this interest subsidy, the Federal Government would pay all but 1 percent of the interest on the mortgage, depending on the income of the homebuyer."

2. NHC endorses and supports this program and the provisions to implement it contained in the Housing Bill of 1968. We strongly recommend the interest subsidy proposed by the President which would achieve an effective interest rate ranging from 1% upward, depending upon the income of the family. We urge that this formula be substituted for the one in S. 2700 where the interest subsidy would produce an effective interest rate of 3%. A lower interest rate is necessary to provide home ownership for lower income families who can only afford a 1% interest rate.

3. For the new home ownership program recommended by the President, the Housing Bill of 1968 authorizes contracts for interest assistance payments—subject to approval in appropriation acts—in the amount of $75 million annually prior to July 1, 1969, which amount ma ybe increased by $100 million on July 1, 1969, by $125 million on July 1, 1970, by $150 million on July 1, 1971, and by $150 million on July 1, 1972. NHC recommends increases in these proposed authorizations for the new home ownership program to achieve an average annual rate of 200,000 units for a 5-year period. Initially, NHC recommends that the annual rate should be 150,000 units but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years.

4. Under the interest-subsidy provision of the Housing Bill of 1968 which is designed to bring individual and cooperative homeownership to families of low and moderate incomes, the subsidy benefits are limited to the initial owner of a house or the initial member-occupant of a cooperative dwelling unit. This limitation will prevent the program from

meeting the continuing need for housing low and moderate income families because it prevents the particular house or dwelling unit involved from being available to subsequent families with such incomes. We recommend that this provision be amended so that when the owner or cooperative member sells his dwelling to a purchaser meeting the income limits applicable to this program, the purchaser will also be eligible to obtain an interest subsidy on the dwelling involved. This amendment should also extend to all subsequent eligible purchasers.

5. NHC opposes the provision in the Housing Bill of 1968 to require families to spend 20% of their income for mortgage payments—including insurance and real estate taxes—under the new homeownership program for low and moderate income families. The proposed interest subsidy would pay only the excess of the mortgage payment above the amount which represents 20% of family income. During 1966, the statistics show that a median of 15.5% of income was spent for such mortgage payments, as distinguished from total housing expense, under the FHA 203 program. NHC recommends a requirement that 15% of income be spent for mortgage payments under the new program for homeownership by low and moderate income families. This is necessary to assure that families will have enough income remaining to pay for food, clothing and other requirements for a decent standard of living.

6. NHC supports the provisions of the Housing Bill of 1968 making FHA-insured financing available to families of low and moderate income who cannot now qualify for mortgage insurance under regular FHA programs because of their credit histories or irregular credit patterns, but who HUD finds are "reasonably satisfactory credit risks" and capable of homeownership. The Bill contemplates that such families would receive counselling and assistance in budget and debt management. NHC believes that this program is long overdue since the present FHA requirements for credit approvals have proven too stringent for families of lower incomes. NHC recommends that these provisions be extended to include the cooperative home ownership program for low and moderate income families, as the same credit clearance problems have arisen in that program as in other homeownership programs.

7. NHC approves the use of the interest subsidy program in cooperatives, since this will make it possible to reach lower income groups because of the economic savings and advantages of cooperatives. These are illustrated by the following savings:

(a) Lower closing costs with one closing on an entire project of many dwellings, rather than one for each dwelling.

(b) Lower transfer costs since it is unnecessary on a cooperative sale to incur the costs of title examinations and transfers, brokers fees, refinancing and other charges.

(c) Lower construction costs which cooperatives have achieved through the economies of large scale building when many housing units are presold before construction starts.

8. NHC endorses the amendment in the Housing Bill of 1968 which would make financing and interest subsidies available for the conversion of existing rental housing into cooperative or other home ownership. At present, such financing is available only when there will be rehabilitation of the property to the extent of at least 20% of the mortgage proceeds. NHC recommends that even though an existing property does not require rehabilitation, it should be eligible for such financing. Such 221(d)(3) financing will add to the housing supply and make home ownership available for moderate income families. Due to its lower cost, it should be possible to convert such existing housing to serve a lower income group by refinancing it at a below market interest rate and by operating it on a cooperative or other home ownership basis.

VI. Cooperative housing

1. In urban areas where multifamily housing predominates, cooperatives provide an important means of achieving homeownership. This produces better communities where the control and responsibility rest with the people who have a stake and pride in their own housing development. The cooperative program has been successful for moderate income families assisted under Section 221 (d)(3) where financing is provided at a 3% interest rate, just as it has been successful for middle income families assisted under Section 213 at market rates of interest. NHC fully concurs in the Congressional mandates to encourage such cooperative ownership.

2. The need and demand for cooperative housing at a below market interest rate greatly exceeds the amount of funds available. The below-market program of 221(d)(3) has demonstrated its success in meeting the housing needs of lower income families who cannot be served by private enterprise without the aid of a subsidy. Cooperative housing represents about one-third of the accumulated backlog of projects awaiting funds under the 221(d)(3) program of below market interest rates. This backlog of need would be met by the increased authorizations recommended above for the 221(d)(3) program and for the 236 program and the new homeownership program, which would provide interest subsidies for the consumers to reduce the market rate on privately-financed mortgages. The effective interest rate would be reduced to 1%, depending upon the need of the family.

3. Ten years ago Congress established a revolving fund of $225 million for the purchase by FNMA of cooperative mortgages insured by FHA under Section 213. This financing has made it possible for middle-income consumers to join together to help themselves get good housing through their cooperatives. While there have been extensive mortgage purchases from the cooperative revolving fund, much of the money has been returned, so it now has an uncommitted balance of about $100 million. The Administration has impounded this fund and no further FNMA commitments can now be issued. NHC strongly recommends that the balance in the cooperative revolving fund be made immediately available for the purchase of mortgages on cooperative projects. The 213 program meets an important need among those middle-income families and individuals who can only afford the lower monthly charges achievable through cooperative economies and financing.

4. The Housing Bill of 1968 contains an appropriate and workable appraisable formula for cooperatives in the new homeownership program. It recognizes the need for such an appraisal formula which is based upon a property which is operated on a nonprofit basis and seeks to produce only enough income to cover its costs and debt service. The same formula should be made applicable to cooperative housing under Section 213 to assure the adequacy of the amount of financing to enable the acquisition of an existing property for a consumer cooperative.

5. As recommended elsewhere in these Resolutions and subject to the conditions stated herein, NHC urges the disposition of public housing and Federally-owned housing to cooperatives whose members will reside in such housing and enjoy the benefits of mutual ownership.

6. NHC cites with approval the tried and tested programs which have been in operation for years and enabled lower income families to achieve cooperative ownership of multifamily housing. We urge HUD and its constituent agencies to use fully all available legislative tools under existing programs to achieve the values and objectives of cooperative home ownership by people with low or moderate incomes. This should include the following:

(a) Encouragement of cooperative housing projects in all parts of the country under all available programs. NHC commends FHA for the recent issuance of a circular to impress upon all Insuring Offices that it is the policy of HUD to encourage home ownership through the cooperative approach and to offer all possible assistance in the development of cooperative housing projects.

(b) In the disposition of housing acquired by HUD and its constituent agencies, a priority should be afforded to the residents so they will have the opportunity to acquire the properties through their cooperative. The recent FHA circular advised insuring offices that many acquired multi-family housing projects are particularly suitable for cooperatives and that negotiated sales would be made. This was successfully done by FHA recently in a pilot case.

(c) In the disposition of property by urban renewal agencies, there should be a recognition in the disposition plan that it is important to achieve cooperative ownership of multifamily housing in urban renewal areas. Accordingly, part of these areas should be considered for the development of housing to be so owned by the people. In making a disposition for this purpose, there should be a disposition condition that those who acquire the property agree to develop it for housing that will involve cooperative ownership.

VII. Multifamily housing in urban areas

1. To achieve success in the model cities program and to meet the housing needs of urban areas, it is necessary to reach a high volume of private development of multifamily housing. The President's message emphasizes the importance of harnessing the productive power of America to rebuild the urban slum which the President identifies as "the most pressing of our unfilled needs in our society." To help achieve this objective, the President proposes that the Congress authorize the formation of privately-funded partnerships that will join private capital with business skills. The message states:

"The objective of these partnerships will be to attract capital from American industry and put that capital to work. Their exclusive purpose will be to generate a substantial additional volume of low and moderate income housing. They will use the best private management talent, planning techniques and advanced methods of construction. They will probe for the savings inherent in the latest technology and in economies of scale."

NHC approves of the proposal to enlist the private capital and talents of American industry in the production of low and moderate income housing.

2. Besides initiating new methods of stimulating private enterprise to participate in the housing program, it is necessary to perfect existing programs and remove obstacles which discourage private initiative in undertaking housing developments. One major obstacle is described below together with our recommendation for its removal.

3. Many investors or sponsors are reluctant to undertake multifamily projects in urban areas because of the current FHA requirement that they provide a guarantee against operating deficits until the projects become self-supporting. In many urban renewal areas, experience has demonstrated that a project will not become self-supporting until the area has been redeveloped on a major scale and becomes established as an attractive community. FHA does not determine the need and extent of the operating-deficit guarantee until the time immediately prior to the issuance of its commitment for mort-

gage insurance. By that time, the investor or sponsor has spent so much money on the project that it cannot afford to withdraw. Eligible investors and sponsors are therefore reluctant to initiate multifamily housing projects because of the uncertainties concerning the guarantees that may be required.

4. In 1961, a law was passed providing that if there were losses during the first two years of operation of a multifamily housing project, FHA was authorized to increase the mortgage by an amount equal to the operating losses. However, this does not solve the problem described above, because investors or sponsors are required to give a guarantee in advance. Moreover, they have no assurance that the operating losses will be added to the mortgage at a later date, since this is entirely discretionary with the FHA and the financing institution. To avoid this and other problems, NHC recommends an amendment to the law to authorize the inclusion in the original mortgage of the estimated amount of the operating losses for the initial two year period. Although this amount would be included in the mortgage, there would be a requirement that any mortgage funds not needed to meet such losses would be used to reduce the mortgage; also, the investors should not receive any returns on their investment during the period when operating deficits are being met from mortgage proceeds.

VIII. Housing for the elderly

1. The Section 202 program and the new supplement to it through interest subsidies under the Housing Bill of 1968 should provide an average of 30,000 housing units for the elderly each year for the next 5 years.

2. The present policies under Section 221 (d) (3) should be modified to permit the construction of housing projects exclusively for the elderly, rather than limiting such financing to projects which also serve other age groups. In this respect we are pleased to note the provisions of the Housing Bill of 1968 which authorize the refinancing of projects for the elderly or handicapped and put them on the same favorable basis as 221(d) (3) projects. The Bill also authorizes interest subsidies to be made on elderly projects to be insured under the new Section 236.

3. In accordance with the statutory authority for loans equal to the total development costs, HUD should eliminate the requirements in the 202 program that an approved sponsor must make an investment to cover the cost of preliminary expenses, facilities, furnishings, equipment and working capital. Such costs should be included in the loan. It should not be necessary for a nonprofit sponsor to make a monetary contribution. Its contribution consists of its devotion of time, ingenuity, and energy in initiating, and developing projects—all without compensation and motivated by public service.

4. The Section 202 cost limits should be increased so housing can be built within the cities where they are needed to serve the elderly. In view of land costs, this should include high-rise buildings. The program should include rehabilitation as well as new construction. Tax abatement should not be required since it is often unavailable because of restrictions in state and local laws. Moreover, many cities are facing problems of inadequate tax revenues and are reluctant to grant tax abatements. Section 202 housing for the elderly should be permitted to pay full taxes, as is permitted in leasing privately-owned housing for public housing purposes and in the rent supplement program. Nursing facilities should be eligible for financing in housing for the elderly.

5. There is a need for special programs to provide federal grants for the following purposes in housing for the elderly:

(a) to assist in training professional personnel to manage elderly housing projects;

(b) to meet the capital costs of housing-related facilities, such as senior activity centers, health maintenance units, dining rooms, hobby and craft rooms, and counselling centers; and

(c) to provide working capital and seed capital to states and localities, and to national nonprofit organizations such as church groups, labor unions, fraternal and cooperative-servicing organizations.

6. NHC urges that housing for the elderly be included in all planning under the model cities program.

IX. College housing

1. NHC recommends a 5-year authorization of $1 billion annually for loans at below-market-interest rates for college housing.

2. Since passage of the National Defense Education Act of 1958, our Nation has increasingly recognized its dependence upon higher education for its security, welfare, and continued prosperity. To meet the demands made upon them by the expanding number of students and by required increases in faculties, additional housing must be provided for students and faculty.

3. Congress recognized the appropriateness of meeting these needs nearly twenty years ago. In the Housing Act of 1950, it initiated low-interest loans for housing and educational facilities for students and faculties. Since 1961 there have been authorizations for loan increases at the rate of $300 million each year. This increase is wholly inadequate to meet current needs. The study conducted under the auspices of the American Council on Education has indicated that approximately $1.5 billion per year will be needed for college housing for the next ten years. Recognizing that a portion of this amount may be derived from non-federal sources, the Council recommended that Congress authorize a minimum of $1 billion a year for the next ten years in the form of long-term, low interest loans for the construction of housing facilities.

4. The Housing Bill of 1968 proposes an increase in the interest rate on college loans from 3% to a rate equal to the current average market yield on comparable maturities of U.S. obligations—with discretion in HUD to make a reduction of not more than 1% below this average yield. This means that the interest rate on college loans would be substantially increased above 3%. NHC is opposed to this increase in the interest rate on college housing loans. We believe that these loans should continue to be made at the same 3% interest rate that Congress previously approved. As an alternative, we would endorse the interest subsidy provision of S. 2700 to keep the effective interest rate at 3% on loans for college housing.

CHAPTER H. NEW AND EXPANDED PROGRAMS FOR LONG-TERM AND INTERIM REHABILITATION

I. The need for rehabilitation

Everyone recognizes the importance of saving existing neighborhoods through rehabilitation and other conservation measures. The Model Cities Program relies upon rehabilitation as a major means of accomplishing its objectives. It is sound policy to improve our present housing supply and conserve neighborhoods, rather than allow them to deteriorate until they require greater costs in demolition and reconstruction. Yet no substantial progress has been achieved through rehabilitation. There is general agreement that we lack adequate tools for an effective rehabilitation program. We recommend a rehabilitation program which includes both:

1. *Long-term* rehabilitation which would save and improve existing neighborhoods, where feasible, through upgrading of suitable structures and other conservation measures; and

2. *Interim* rehabilitation which would quickly improve the housing in slum and ghetto areas to eliminate hazards to health and safety.

There is a need for both long-term rehabilitation of suitable buildings, and interim rehabilitation for buildings not suitable for long-term rehabilitation but still needed now for continuing use until later clearance. Such interim rehabilitation would eliminate conditions which are hazardous to the health or safety of the residents.

II. Central coordinating Federal and local agencies

There should be central coordinating federal and local agencies to channel and utilize all federal and local aids for the rehabilitation program in the neighborhood. At the federal level there would be a HUD unit and at the local level an agency responsible to the municipal government. There should be federal grants for a total coordinated plan for rehabilitation of the neighborhood and for carrying out the rehabilitation program contemplated by the plan—including long-term and interim rehabilitation. The local agency should enlist the participation of cooperative and nonprofit organizations and local housing authorities. The local agency would also act on behalf of eligible home owners in the area in obtaining:

1. Rehabilitation grants for them;

2. Below market interest rate loans or market interest rate loans for their rehabilitation work; and

3. Contracts to perform the rehabilitation work, subject to supervision by the local agency.

III. Long-term rehabilitation

In the long-term rehabilitation program, we must modify present programs and devise new ones which will achieve the volume of rehabilitation necessary for a successful program in model city neighborhoods and for the improvements of other deteriorated areas. This requires more favorable and realistic financing terms and the development of advanced technological methods for effective application. Local public agencies engaged in urban renewal and local housing authorities should purchase slum buildings and obtain adequate subsidies to write down the re-sale price of the buildings to be rehabilitated. The amount of the write-down should be whatever is needed to achieve monthly charges, after rehabilitation, which will be within the financial reach of the low income and moderate income families to be served. This urban renewal program and the write-down of slum properties would be undertaken in combination with the following programs to provide necessary financing for the rehabilitation:

1. Public housing and rent supplement programs should be available for rehabilitated housing to serve those of low income. This would also include public housing leasing.

2. More realistic FHA-insured financing should be made available under the below market interest rate programs of 221(d) (3) or 221(h)—and the new interest subsidy programs—to serve those of moderate incomes; and market interest rate financing to serve those who do not qualify under the income limits for moderate-income groups.

3. Federal rehabilitation loans for 20 years under Section 312 at 3% interest. We are pleased to note that the proposed Housing Bill of 1968 would amend Section 312 to create a revolving fund, with such appropriations in each fiscal year as may be necessary to carry out the program. In addition, the Bill would extend the program from its present expiration date of October 1, 1969 to June 30, 1973. Section 312 should be amended, however, to broaden the category of eligible borrowers to include public bodies, cooperatives and nonprofit corporations. At present, borrowers are restricted to owners or tenants.

4. Section 515, for federal rehabilitation grants to eligible occupants who own their own homes in the rehabilitation neighborhood, should be amended to increase the maximum grant for long-term rehabilitation. Instead of the increase to $2,500 proposed in the Housing Bill of 1968, NHC recommends an increase to $5,000.

5. Where state or local governments allow tax abatement to encourage rehabilitation, there should be a federal grant to reimburse them for 75% of the tax losses. This federal grant should be subject to the limitations in the state or local law, but in no event should the federal grant exceed 75% of the cost of the rehabilitation work. These federal grants should also apply to cities and local governments allowing tax abatements for 221(d) (3) housing programs.

6. The foregoing rehabilitation grants and the Section 312 loans should be available both inside and outside urban renewal areas when a rehabilitation program is being undertaken in the neighborhood.

7. Relocation assistance and payments should be available to anyone displaced as a result of a rehabilitation program.

IV. FHA rehabilitation programs

In the FHA programs for long-term rehabilitation, more realistic and workable financing terms and allowances are required. These include the following:

1. The formulas for determining mortgage amounts must recognize the actual cost of acquiring and rehabilitating properties that are structurally sound.

2. There should be a contingency allowance built into the mortgage financing as has been recently done by FHA. In rehabilitation, the contractor is often not aware of potential structural, electrical, or plumbing problems until he breaks into the walls and ascertains actual conditions. The new FHA policy would provide financing to cover such extra costs due to unforeseen conditions or other contingencies.

3. The FHA requirements for rehabilitation should not require a specified percentage of mortgage proceeds to be used for rehabilitation, so long as property is brought up to code standards.

4. In projects where the property is owned or controlled by the proposed mortgagor, cost savings may be achieved by stripping down the building and tearing out the interior walls before making estimates or getting bids for the rehabilitation work. In such cases, FHA should recognize the cost of gutting the building since this increases the value of the property for rehabilitation because conditions are known and unforeseen contingencies are minimized.

5. To reduce the monthly charges to the level which moderate-income families can afford, it is necessary to eliminate present requirements for short amortization periods on rehabilitation projects. Where the rehabilitation project property is in a central city, there is likely to be an increment in land value from which to repay the loan, even though demolition occurs well in advance of the remaining estimated life of the improvements. Thus, the property may later become part of a model city neighborhood or urban development area. At present, the statute limits the mortgages to a maturity not exceeding three-quarters of the remaining economic life of the building improvements. This limitation should be repealed. FHA should be authorized to permit up to forty-year maturities where appropriate.

6. Large-scale rehabilitation will require urban renewal or other subsidies to write-down the cost of properties to be rehabilitated. This is necessary to produce monthly charges which are within the financial reach of the lower income families to be served.

V. Conservation of public and other rental housing

The rehabilitation program should include the conservation of existing public housing, which is discussed elsewhere in these Resolutions. It should also include rehabilitation of existing rental housing, such as the projects built under Section 608 or other FHA programs.

VI. Interim rehabilitation

Interim rehabilitation would provide the minimum rehabilitation necessary to achieve prompt improvement of housing conditions in slum and ghetto areas. Interim rehabilitation may be a first step in the total process of permanent development of the area under the urban renewal or model cities program. Public acquisition of properties for interim rehabilitation may be an early acquisition of part of the property that may later be involved in such a permanent program for the neighborhood.

There should be a fast program of interim rehabilitation to correct those housing conditions which directly affect health and safety. The people now living in substandard housing should not be expected to wait until permanent neighborhood improvement programs are developed. We need legislation now which will provide grants and loans which can be rapidly disbursed to eliminate health and safety hazards, without regard to the useful life of the buildings. The program would include:

1. Federal code enforcement grants for interim rehabilitation.

2. Federal interim rehabilitation grants of not to exceed $2,500 to low-and-moderate income owners of homes in the slum and ghetto areas.

3. Federal grants to local public agencies to acquire slum buildings which are in violation of housing codes, and for interim rehabilitation to eliminate hazards. Through federal grants there should be necessary write-downs to achieve monthly charges on the rehabilitated housing which the low-and-moderate income group can afford.

4. As already stated, Section 312 should be amended to permit federal loans to public agencies, cooperatives or nonprofit corporations to permit them to achieve interim rehabilitation and the correction of hazards in buildings they own or acquire.

5. Section 312 should be further amended to provide loans to public bodies or agencies which take possession or control of any property—through receivership or otherwise—which violates code requirements or local laws concerning health or safety and where the owner of the property has failed to correct such violations within a period prescribed by local law. The loan should be made on the condition that it will be repaid from the income derived from the rehabilitated property, with appropriate liens or other rights that will be enforceable against the property.

6. Relocation assistance and payments should be available to anyone displaced from housing as a result of an interim rehabilitation program. Federal grants should be available for this purpose.

7. The 221(h) program under the 1966 Act—which was initiated by Congresswoman Sullivan—provides 3% loans to nonprofit organizations for rehabilitation of substandard housing for sale to low-income purchasers. This program is being incorporated into the interest subsidy program for homeownership under the Housing Bill of 1968.

8. Legislation along the lines proposed by Senator Clark of Pennsylvania should be enacted to provide standby financing of necessary improvements to homes occupied and owned by low-income elderly couples or individuals in urban renewal areas. Under this bill, interest and amortization on FHA-insured loans for these purposes would be deferred until the death of the owner or earlier sale of the property.

9. The objective of the foregoing federal grants and loans for interim rehabilitation is to provide whatever assistance is needed to achieve monthly charges, after interim rehabilitation, which will be within the financial reach of the low income and moderate income residents. The emergency upgrading of structures under the interim rehabilitation program should not involve increases in rents beyond the reach of the present tenants.

CHAPTER I. INTERIM ASSISTANCE PROGRAMS IN SLUM AND GHETTO AREAS

I. Need for interim action to alleviate slum conditions

The President and commissions appointed by him have recognized that our number one domestic priority should be a program to solve the problems of slum and ghetto areas, including bad housing and inadequate community services. Besides the long-term programs which NHC recommends in this report to solve these problems, we need a concentrated and coordinated program to take immediate and interim action to alleviate these harmful conditions. Just as the model cities program provides for centralized and coordinated federal and local action, we need a parallel program to revitalize and rehabilitate slum and ghetto areas through interim action. Instead of the present multiplicity of federal and local agencies, there should be a centralized coordinating responsibility in a HUD unit and in a local agency responsible to the municipal government to obtain and use all available federal and local aids in achieving interim revitalization and rehabilitation.

II. Proposed new program for interim assistance in slum areas

1. We need the kind of interim assistance program which the Senate Committee on Banking and Currency has recommended in the Sparkman Bill, S. 2700, as follows (subject to the amendments described hereafter):

". . . The Secretary of Housing and Urban Development would be authorized to make grants to a city, other municipality, or county to assist it in taking interim steps to alleviate harmful conditions in any slum or blighted area of the community which is planned for substantial clearance in the near future, but which needs some immediate public action until permanent action can be taken.

"The Committee has been concerned for some time about the plight of residents and property owners in slum or blighted areas which are planned for substantial clearance in the near future. Since immediate alternative housing is often not available, Federal assistance is necessary to provide a more livable environment during the remaining period of use before clearance. The Committee regards this provision as a stopgap measure for areas where it is clear that concentrated code enforcement is impractical because it would reduce the supply of housing or compel property owners to make uneconomic repairs.

"This assistance should enable communities to undertake such immediate short-term actions as (1) repairing serious deficiencies in the street, sidewalks, parks, playgrounds, publicly-owned utilities and public buildings located in the area to the extent needed to maintain or restore the basic livability of the area until permanent action can be taken (no new construction or major capital improvements would be permitted); (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety; (3) the demolition of structures determined to be structurally unsound or unfit for human habitation which constitute a public nuisance and serious hazard to the public health and safety; (4) the establishment of temporary public playgrounds on vacant land within the area; and (5) the improvement of garbage and trash collection, street cleaning, and similar activities through the employment of otherwise unemployed or underemployed residents of the area.

"Grants could not exceed two-thirds of the cost of planning and carrying out the interim program, except the three-fourths grants could be made to any community with a population of 50,000 or less according to the most recent decennial census. A community would have to have a workable program for community improvement to qualify for assistance, and relocation assistance and payments would be available to anyone displaced as a result of an interim program."

2. NHC recommends that all cities be eligible for a three-quarters grant for the cost of planning and carrying out the interim program instead of limiting the larger grants to the smaller cities. The foregoing program should be amended to make clear that the planned clearance need not occur "in the near future" because this would unduly restrict the interim assistance program. The legislation should apply to any area where there is a plan for clearance at a later date.

3. The Senate Bill S. 2700 should be clarified so the interim assistance includes interim rehabilitation of housing to protect the heatlh and safety of residents. Also, it should be amended to eliminate the restriction—described in clause (2)—that repairs can be made only to private properties. Such interim rehabilitation is not new construction or a major capital improvement. It is a temporary upgrading of the housing which would bring it up to a minimum standard of decency and liveability.

CHAPTER J. NEW TOWNS AND NEW COMMUNITIES

1. There is an urgent need for a program to develop New Towns and New Communities, which are planned communities designed to help meet the needs of the expanding metropopulation and to provide an orderly dispersal of population and relief of city congestion. With the passage of the 1966 Housing Act, Congress recognized the need for a program to develop New Towns. While this legislation was a vital step in the right direction, it was only an experimental program. New legislation is now necessary to establish the New Towns program on a permanent basis.

2. In his message, the President proposes the New Communities Act of 1968, which is a title in the Housing Bill of 1968. The President describes the need and purposes of the new communities program as follows:

"Over the next decade, 40 million more Americans will live in cities. Where and how will they live? By crowding further into our dense cities? In new layers or sprawling suburbia? In jerry-built strip cities along new highways? Revitalizing our city cores and improving our expanding metropolitan areas will go far toward sheltering that new generation.

But there is another way as well, which we should encourage and support. It is the new community, freshly planned and built. These can truly be the communities of tomorrow—constructed either at the edge of the city or farther out. We have already seen their birth. Here in the nation's capital, on surplus land once owned by the Government, a new community within the city is springing up.

In other areas, other communities are being built on farm and meadow land. The concept of the new community is that of a balanced and beautiful community—not only a place to live, but a place to work as well. It will be largely self-contained, with light industry, shops, schools, hospitals, homes, apartments, and open spaces. New communities should not be built in any set pattern. They should vary with the needs of the people they serve and the landscapes of which they are a part. Challenge and hard work await the founders of America's new communities:

Careful plans must be laid.

Large parcels of land must be acquired.

Large investments in site preparation, roads and services must be made before a single home can be built and sold.

The development period is long, and return on investment is slow.

But there is also a great opportunity for, as well as a challenge to, private enterprise.

The job is one for the private developer. But he will need the help of his Government at every level. In America—where the question is not so much the standard of living, but the quality of life—these new communities are worth the help the Government can give.

I propose the New Communities Act of 1968. For the lender and developer, this Act will provide a major new financing method. A Federally-guaranteed "cash flow" debenture will protect the investment of private backers of new communities at competitive rates of return. At the same time, it will free the developer from the necessity to make large payments on his debts, until cash returns flow from the sale of developed land for housing, shops and industrial sites. For the local and State government, the Act will offer incentives to channel jointly financed programs for public facilities into the creation of new communities. The incentives will take the form of an increased Federal share in these programs.

3. NHC endorses the President's proposal for the new communities program, but we recommend the amendments or implementation described below.

4. The New Communities Act should be amended to include public agencies or authorities instead of limiting the FHA insurance to private developers. NHC believes that a public authority represents the most effective instrumentality to undertake necessary land acquisition and carry out the development of a New Town.

5. Since there will be a substantial waiting period before the developer will collect money from sales or leases of land, we agree that payments of principal on the loan—evidenced by income debentures—should be made only to the extent possible from cash flow received from land disposition. Likewise, interest should be treated as a developmental cost up to the estimated time when sufficient monies would be recovered to pay interest on the loan. At that estimated time, the payments of interest and principal would be made on the debentures to the extent that cash flow permitted. Necessary federal guaranties and aids must be provided to assure the marketability of the debentures. Until they are acceptable in the market, FNMA should purchase them with special assistance funds.

6. Loans should be made on a long-term basis. We are pleased to note that the proposed Bill removes the unworkable 7-year loan limit in the present law.

7. To achieve its objectives, the program under the New Communities Bill should recognize that it is necessary to:

(a) Buy land at low cost and keep it available for resales or leases at low prices.

(b) Achieve integration—both economic and racial.

(c) Minimize transportation needs by assuring employment for its residents within the New Town and with some employment in nearby areas; and by providing housing in the New Town for lower-income service and domestic help.

(d) Achieve a physical layout which provides for separation of pedestrian and automobile traffic, safety of children, convenient playgrounds and other advanced planning.

By internally relating homes, employment, and recreation, automobile use can be reduced to shorter trips at non-peak road densities. There is a need for a governmental unit in the locality which would have all the governmental powers, functions and responsibilities of the New Town. NHC believes that the foregoing requirements should be stipulated as conditions to FHA insurance under the New Communities Act.

8. In its large program of land acquisition, the Bureau of Public Roads should purchase excess land beyond the amount needed for the roads themselves. Since roadbuilding programs result in the displacement of people from their homes, there should be recognition of the duty and responsibility of the Bureau to acquire land that is suitable for residential development and make it available to rehouse such displaced families. Whenever federal highway programs displace large numbers of people, the Bureau should fulfill this relocation responsibility, both inside and outside of Communities. At large road interchanges, this program should include the acquisition of additional land for the development of New Communities where they are needed to rehouse displaced families and to meet the needs of our growing population. Such land can generally be acquired by the Bureau at low cost at the time the land is being acquired for new road systems.

CHAPTER K. RURAL HOUSING, RENEWAL AND PLANNING FOR MULTI-COUNTY AREAS

1. NHC has long recommended a program of rural housing and rural renewal which will make available to rural areas the same kinds of financial assistance as are provided for urban housing and urban renewal. We endorse the provisions of the Housing Bill of 1968 which make certain housing assistance equally available to rural areas.

2. Thus, the new interest subsidy programs would be available in both urban and rural areas. This includes the new home ownership program and the rental and cooperative program under FHA to provide housing for low and moderate income persons and families. However, insofar as the administration of these programs in rural areas is concerned, the Secretary of HUD would assign to the Secretary of Agriculture necessary authority, along with appropriate transfer of funds, for the implementation of the programs as agreed upon by the two Secretaries.

3. In addition, NHC supports Title X of the Housing Bill of 1968 which provides that where the foregoing assistance is not available, the Secretary of Agriculture may make direct and insured loans in rural areas—in places not exceeding 5,500 population—to provide housing for low and moderate income persons and families. This includes loans for rental or cooperative housing. Interest will be at a rate set by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. The interest rate may not be less than 1 percent. An interest supplement necessary to market the insured loans will be paid from the Rural Housing Insurance Fund and reimbursed by annual appropriations. Eligibility for these loans will be broadened to include persons not previously residing in rural areas who have low or moderate incomes and who are employed in rural areas.

4. NHC recommends adoption of the provisions of Title VI of the Housing Bill of 1968 which would authorize HUD to make planning grants to assist district planning agencies for rural and other non-metropolitan areas. A grant authorization of $20 million would be provided in fiscal year 1969. The Secretary of Agriculture would be given certain functions as to planning grants for districts, including a requirement that he be consulted before any such grant is made.

5. NHC recommends the following amendments to the Housing Bill of 1968 relating to rural housing:

(a) To provide rent supplements in rural areas similar to those for urban areas.

(b) To increase by $50 million a direct-loan fund in the Farmers Home Administration to supplement the mortgage insurance program and to keep interest rates from going too high.

(c) To give the Secretary of HUD authority to waive rules and regulations of HUD programs so very small cities and towns can get an equitable share of HUD programs.

(d) To expand the low-interest loan program under the Aiken-Poage Water and

Sewer Act to include predominantly rural areas and to cover community facilities such as police and fire facilities, street lighting and community centers.

(e) To provide a new program of grants and 3% loans for rural low-income families and individuals for housing repair and rebuilding and for self-help housing.

(f) To provide a small experimental program of aid to rural areas and small towns for public, cooperative, or nonprofit transportation systems.

(g) To provide that only the new farm home and the immediate lot—not exceeding one acre—need be encumbered in home mortgages under the Farmers Home Administration.

(h) To provide for an experimental and demonstration housing program in Farmers Home Administration similar to the present HUD program; such authorization should be used to develop self-help housing in rural areas.

(i) To increase the mortgage term to 40 years for most rural housing loans.

(j) To double appropriations for the Farmers Home Administration.

6. Besides Congressional actions, there is a need for more effective executive actions and better coordination of Agriculture and HUD, and for consultation with industry and public interest groups. Such actions should be taken to assure that federal housing, community facility and planning aids for rural areas are equivalent to those available in cities and metropolitan areas.

7. NHC recommends and urges the Secretary of Agriculture to stimulate and encourage programs under new and existing cooperative housing provisions to alleviate the housing ills in rural areas.

CHAPTER L. FINANCING NURSING HOMES AND FACILITIES FOR GROUP MEDICAL PRACTICE

1. There is a continuing desperate need for hundreds of thousands of nursing home beds, especially among the low-income elderly. This needs has increased by demands generated through Medicare. Since local housing authorities have long experience in building low-rent housing for the elderly, they are well qualified to develop nursing homes for low-income persons. They should be authorized to coordinate programs of housing and nursing homes facilities for the low-income group. This can be done effectively by amending the U.S. Housing Act of 1937, to authorize annual contribution contracts with local housing authorities for nursing home facilities. Likewise, Section 202 should be amended to permit the inclusion of nursing facilities in housing projects for the elderly. In this way, elderly persons who need nursing facilities would not have to leave the community in which they are living.

2. NHC endorses the proposed amendment in the Housing Bill of 1968 to permit the cost of major items of equipment used in the operating of a nursing home to be included in the FHA-insured mortgage; also, to permit supplementary loans for the installation of such equipment in nursing homes previously constructed.

3. The 1966 Act included a program of FHA insurance for facilities used for group medical practice. NHC reaffirms its support of this program and urges its use to encourage the development of nonprofit cooperatives whose members will obtain the benefits of bona fide group medical practice at a reasonable cost. The program should operate in both urban and rural areas.

4. NHC endorses the amendment to the Housing Bill of 1968 to permit mortgage amortization to commence after completion of construction of group practice facilities rather than at the time the mortgage is executed.

5. NHC supports the Patman Bill, H.R. 10188, which would remove obstacles that impede the broader development of group health plans and which would make financing available for group health programs providing hospitalization, out-patient and preventive care.

CHAPTER M. PUBLIC AND COMMUNITY FACILITIES INCLUDING WATER, SEWER, AND NEIGHBORHOOD FACILITIES

1. The Housing Bill of 1968 contains no new authorization of funds for water, sewer, neighborhood facilities and advance acquisition of land programs. It does provide that any funds already authorized and not yet appropriated will remain available until July 1, 1970. With respect to the open space land program, the Bill would convert the present authority to enter into contracts not in excess of $310 million to a regular authorization for appropriations not in excess of $310 million prior to July 1, 1969. For subsequent fiscal years that amount would be increased by such additional sums as are necessary, with any amounts appropriated to remain available until expended.

2. NHC recommends a 5-year authorization of $2 billion annually for grants to local governments for basic water and sewer facilities and other types of public improvements and community facilities. Of the $2 billion, $250 million should be made available annually for the open space land program. The public improvements and community facilities should include those authorized by the 1965 Act such as neighborhood and public facilities, particularly in slum and ghetto areas. It should also include the acquisition of land to provide parks and recreational facilities in urban areas, so that they are closely accessible to the people who need them most

3. There is a great and continuing need for the foregoing Federal public facilities grants to assist in overcoming serious backlogs in replacing substandard or obsolete facilities—especially in the central cities—eliminating water pollution and meeting the unprecedented demands for additional facilities and services generated by population expansion. These needs cut across whole metropolitan areas and involve central cities, new suburbs and the new communities still to come. This essential expansion in Federal aid could be a potent influence in resolving the present chaotic conditions created by the multiplicity of local governmental jurisdictions in most metropolitan areas. This multiplicity has led to suburban sprawl, land misuse, land speculation, and frequent failure of metropolitan area and regional planning as an effective tool for the control of new developments. Such a program could provide important leverage to establish coordinated local governmental approaches to control programs of area and region-wide significance. At the same time, it could foster decentralization of local governmental functions of strictly local application.

4. NHC believes that the foregoing grants should be generally restricted to communities that are simultaneously providing adequate housing for low and moderate income families, where the need for such housing exists.

5. As recommended in these Resolutions on other comparable programs, federal grants to larger cities for public and community facilities should be increased to ¾ from the present ⅔s, since their need is as grave as that of small cities. For neighborhood centers, parks and recreational facilities in slum and ghetto areas, the federal grant should be 100%. Moreover, there should be annual federal grants to provide for the staff and operating expenses of such facilities. The neighborhood facilities centers in such areas should be permitted to include swimming pools—either indoor or outdoor—and gymnasiums.

6. NHC again recommends that the regional plan requirement for municipal water, sewer and other grants be waived in those instances where the improvements have no regional implications and where no regional planning mechanism exists.

CHAPTER N. URBAN MASS TRANSPORTATION

1. The President's message points out the urgent need to modernize, expand and reorganize the urban transportation systems. The message states:

"In the modern city the arteries of transportation are worn and blocked. The traffic jam has become the symbol of the curse of congestion. It was only a few years ago, however, that we recognized this as a national problem. We must step up this effort. In the year ahead, we expect to increase our grants to cities from $140 million to $190 million. I recommend that the Congress provide $230 million for fiscal 1970 so cities can begin now to plan the improvement of their mass transit systems and service to the people."

2. We support the President's recommendations for an advance appropriation for fiscal 1970 in order to give cities more lead time for planning their mass transit programs. We recommend such advance appropriations for future fiscal years and for other urban programs to enable advance planning.

3. NHC recommends that the program of mass transit grants be increased to $750 million per year for the next 5 years. The expansion of the program is necessary to achieve the housing and urban development goals recommended in these Resolutions.

4. NHC supports the President's proposal for a reorganization plan involving a reallocation of functions on mass transit as between the Department of Transportation and HUD.

CHAPTER O. URBAN TECHNICAL ASSISTANCE, RESEARCH, AND TRAINING

I. The President's message

The President's message urges a program of research and technology for the cities. The message states:

"Federally-sponsored research has helped us guard the peace, cure disease, and send men into space. Yet, we have neglected to target its power on the urban condition. Although 70 percent of our people live in urban areas, less than one-tenth of one percent of the Government's research budget has been devoted to housing and city problems. We must:

"Learn how to apply modern technology to the construction of new low-income homes and the rehabilitation of old ones.

"Test these ideas in practice, and make them available to builders and sponsors.

"Look deep into the fiscal structure of the cities—their housing and building codes, zoning, and tax policies.

"Learn how best the federal government can work with state and local governments—and how states and local governments can improve their own operations.

"Evaluate our city programs, so we can assess our priorities.

"Last year, I sought the first major appropriations for urban research: $20 million. Congress appropriated only half that amount. I once again propose a $20 million appropriation for urban technology and research. This will assist the universities and private institutions of America to carry out the studies so crucially needed. These funds, along with those from other Government agencies, will also help launch the new Urban Institute, which I recently recommended. This is a private non-profit research corporation formed to create a bank of talent to analyze the entire range of city problems."

II. Research and technology for the cities

NHC supports the President's program of research and technology for the cities, including this request for a $20 million appropriation. It also supports the request for an additional Assistant Secretary. It was previously indicated that this new Assistant Secretary would head an office for Equipment, Research, Technology, and Engineering. Presumably, such an Assistant Secretary would function in a manner proven successful in other governmental agencies. HUD should also serve as an information source for state and local governments and private industry. NHC supports the establishment of an Institute of Urban Development as a separate and distinct organization which would engage in seeking solutions to future urban problems and requirements.

III. Urban information and technical assistance

The 1966 Act recognized the need to assist the states to make available information and data on urban needs and assistance programs and activities; also, to provide technical assistance to small communities seeking to solve their urban problems. It provides for a federal grant of 50% of the cost of an Urban Information and Technical Assistance program. NHC supports Section 1103 of the Housing Bill of 1968 which would authorize an appropriation of such funds as are necessary to carry out the purposes of this program. When such funds are appropriated, they would continue available until expended. In the past, the appropriations have been only half of the amount needed and requested. NHC recommends an appropriation of $5.3 million annually for this program.

IV. Grants for training and fellowships

1. The shortage of trained professional and sub-professional personnel in the broad field of community development has long presented a serious problem in achieving effective action programs. Unless corrected, this problem will become increasingly acute as the dimensions and pace of community development activities increases.

2. The Housing Act of 1964 contained a two-part program intended to combat the shortage. The first part authorized $10 million, without fiscal year limitation, for matching grants to states. These grants were to be used by the states to assist in organizing, developing, or expanding programs to provide special training in skills needed by those persons employed or to be employed by governmental bodies responsible for community development and to support research required for housing programs and needs. The second part of the program contained an authorization for the appropriation of $500,000 annually for a three year period beginning on July 1, 1964 to provide fellowships for graduate training of professional city planning and urban housing specialists.

3. These were important first steps in meeting this problem. NHC feels, however, that the amounts heretofore authorized for this program are clearly inadequate to do the job. It therefore recommends:

(a) That $1 million a year be authorized for training under a 5-year program.

(b) That the fellowships be increased to $2 million a year for 5 years.

(c) That additional funds be provided for the training of sub-professionals and professionals in the broad field of community development.

This would be done through the Institute of Urban Development proposed by the President. The grant ratios should be equal to those provided in Title I of the Higher Education Act of 1965. NHC also recommends that research and training funds be made available directly to local communities without any requirement for a local matching share.

4. NHC supports Section 1106 of the Housing Act of 1968 which would expand the training program to permit grants to states for the training of persons who would be employed by organizations in the field of housing and community development.

CHAPTER P. PROVIDING NECESSARY MORTGAGE FUNDS AT REASONABLE INTEREST RATES

1. Adequate mortgage financing at reasonable rates is necessary to restore strength and vigor to residential building in order to achieve production at the rate necessary to accomplish our 20-year goals. The housing industry has been subject to fits and starts as a result of recurring tight money conditions and increases in interest rates. Housing has borne the greatest brunt and suffered the greatest damage as a result of these conditions.

2. When interest rates rise, many people who need homes can no longer afford them—even though they could have afforded them previously when interest rates were at more reasonable levels. The increases in interest rates have been a significant factor in increasing the cost of living. The price indexes have shown continuing increases in the cost of housing. While fiscal controls were supposed to stop inflation, they have contributed to inflation by creating tight money and increasing interest rates and the cost of living.

3. With the general increase in interest rates, the present statutory ceiling of 6% is no longer competitive for FHA-insured or VA-guaranteed mortgages. Consequently, these mortgages are selling at substantial discounts, with serious injury to the consumer and homebuilder. Many housing projects are not built due to these conditions. To insure that home financing remains competitive with alternative long-term investment opportunities, the President has recommended that Congress authorize the Secretary of HUD to adjust the FHA interest rate ceilings. In his message, he stated:

"To assure a steady flow of funds into homebuilding, I recommend that the Congress authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings to reflect the economic realities of the financial markets. I have already recommended a similar adjustment on the interest rates for home loans to veterans."

Although NHC is opposed to increases in interest rates, we believe it is necessary to adopt the proposed amendment to lift the 6% interest ceiling, so that the Secretary can fix an interest rate which will be more competitive and which will attract necessary financing for housing; provided, however, that this authority shall be limited to a two-year period. This increase would cover all programs with financing at market rates of interest, including those where the interest rate ceilings range from 5¼% to 5¾%. In the enactment of such legislation, Congress should obtain an assurance from the Administration that the interest rates would be increased by the minimum amount necessary. Thus, at the present time, we believe that the interest rate should not be increased above 6½%. If necessary, the Government should be prepared to support the market at the interest rate if such mortgages are not accepted in the market place at that rate plus a reasonable service charge. Once interest rates are raised, it will be difficult to reduce them. Accordingly, the Administration should endeavor to hold the line on interest rates at a reasonable level in the FHA-insured and VA-guaranteed financing programs for housing.

4. The Housing Bill of 1968 should be amended to require the appointment of a Commission of outstanding experts to make a comprehensive study with recommendations on the measures necessary:

(a) To assure the availability of an adequate supply of mortgage financing to produce the volume of housing required to meet the goals set forth in these Resolutions;

(b) To assure that such financing will be available at reasonable interest rates and charges; and

(c) To avoid recurrent crises in home building due to tight money conditions and increasing interest rates.

The report of the Commission should be made within one year, so as to enable the President, Congress and the Secretary of HUD to take necessary action before the end of the 2-year authorization for the increase in interest rates above present statutory ceilings.

5. In his message, the President proposes legislation to transfer the secondary market operation of the Federal National Mortgage Association to completely private ownership. The President's message makes it clear that this change will not affect the Government's special assistance to special types of mortgages which are not readily accepted in the private market.

6. NHC is seriously concerned about the effect of the proposed transfer of FNMA to private ownership. The public interest is vitally involved in the operation of a secondary market for FHA-insured and VA-guaranteed mortgages. The prices at which mortgages are purchased should not be determined by those who may be motivated by producing a better return for stockholders' dividends or for retiring the FNMA stock now owned by the Government. Mortgages should be purchased at reasonable prices in order to help protect the consumer against unreasonable increases in interest rates and to maintain a stable homebuilding industry. We believe that FNMA has performed an important service under its present system of ownership and operation. Its decisions have been influenced by the public interest and the welfare of the economy. We recommend against the transfer of FNMA to private ownership. We are in favor of continuing the present FNMA organization and operations in the secondary market as this will best protect the consumer and the public interest by maintaining interest rates at more reasonable levels.

7. NHC agrees with the President's proposal to attract additional funds to the housing market by insuring mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages. In his message, the President describes this proposal:

"Some private institutional and individual investors have shunned investments in home mortgages because they could realize nearly comparable rates of return in other investments, and avoid the bookkeeping and paper work associated with hundreds of individual mortgages.

"These pools of savings—in large institutional pension funds, private trusts, and occasionally in individual estates—can be attracted to residential finance. It will take a new, marketable financial investment, with competitive yields and security. Such a bond-type obligation can be created to cover federally-insured mortgages held by private mortgage bankers or trusts.

"To enhance the attractiveness of such an obligation to investors, and thus attract additional funds to the housing market, I recommend that the Congress authorize the Department of Housing and Urban Development to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages."

The program to insure such mortgage bonds should be made applicable to FNMA so that it could use this method of substituting private investments in the FHA-insured and VA-guaranteed mortgages which it holds as a result of its secondary market purchases. If FNMA were retained in its present form rather than being transferred to completely private ownership, this method of selling insured bonds secured by a pool of mortgages would enable FNMA to recapture funds which should offset its investments in the mortgages under its secondary market operation.

8. Even under the new concept of the Budget, NHC believes that expenditures to purchase mortgages should be offset by funds realized through the liquidation or sale of such mortgages—either through individual sales of mortgages or through sales of bonds secured by a pool of such mort-

gages purchased by FNMA in the secondary market operation. Likewise, NHC believes that the sale of FNMA participations in mortgages should be reflected in the Budget as an offset to the expenditures for the purchase of such mortgages with special assistance funds. Only the differential in interest rates between the rate on the pooled mortgages and the rate on the bonds or participation certificates should be reflected as a net expenditure in the Budget.

9. Through the years, Congress has authorized FNMA special assistance funds for the purchase of mortgages on projects which acomplish desirable social objectives or otherwise promote the public interest. NHC recommends that the FNMA special assistance program be fully utilized for the purchase of such mortgages. This is a way to provide financing at reasonable interest rates and charges for projects which promote the public and consumers' interest. Thus, we urge that the following actions be taken on special assistance programs:

(a) The full balance of the FNMA cooperative Revolving Fund authorized in 1955 should be made available for the purchase of FHA-insured mortgages under Section 213. This financing has made it possible for middle income consumers to join together to help themselves get good housing through their cooperatives. This program reaches families who can only afford housing at the lower monthly charges achievable with cooperative economies and financing.

(b) The full balance of FNMA special assistance funds should be made available for the purchase of mortages on projects located in urban renewal areas, nonprofit housing for the elderly and other moderate income housing.

(c) The full balance of FNMA special assistance funds should be made available for the purchase of insured mortgages on homes under Program 14.

(d) The Administration should implement the authorization for FNMA to participate with private lenders in construction financing for projects on which FNMA is authorized to utilize special assistance funds to purchase mortgages. The Administration has not implemented this law which was passed in 1966. NHC recommends that this be done as one of the measures needed to stimulate and expedite the building of housing for lower income families.

10. The Administration has impounded large amounts of special assistance authorizations, even though these authorizations were grossly inadequate to meet current needs. The failure to use Congressional authorizations has contributed to the denial of homes which are urgently needed by people of moderate incomes.

11. In addition to the immediate release and use of all the foregoing FNMA special assistance funds now authorized by law, NHC recommends that the revolving fund for FNMA special assistance should be increased by $3 billion to provide the funds required for mortgage purchases on the foregoing housing programs and on the new and expanded programs described elsewhere in these Resolutions. Thus, special assistance funds should be available:

(a) To purchase FHA-insured mortgages under the new programs to be added to the National Housing Act as Sections 235, 236 and 237; and to purchase the cash flow debentures under the New Communities Program; such special assistance funds should be available to buy these FHA insured mortgages and debentures in case they are not readily accepted in the financial market;

(b) To continue purchases of mortgages under the below market interest rate program of Section 221(d)(3) at any time that alternative financing with interest subsidies is not available under the new proposed Section 236; and

(c) To purchase FHA-insured mortgages or VA-guaranteed mortgages if they cannot be sold in the private market at an interest rate fixed by HUD as reasonable, without excessive discounts; such FNMA authorization to purchase these mortgages is necessary to hold the line as to reasonable interest rates and to avoid excessive charges.

CHAPTER Q. MEETING THE INSURANCE CRISIS OF OUR CITIES

1. The President recommends a program to meet the insurance crisis of our cities. The following excerpts from his message describe the proposed program:

"Insurance protection is a basic necessity for the property owner. But for the resident of the city's inner core and the local businessman who serves him, protection has long been difficult to obtain. The problem has been heightened by civil disorder or its threat. * * *

"Last August I established a Special Panel to seek the solutions to this problem. * * * The Panel recommended a comprehensive program of mutually supporting actions by the insurance industry, the States, and the Federal Government. My advisers and I have reviewed the Panel's proposals carefully. We believe they are sound.

"Accordingly, I call upon the insurance industry to take the lead in establishing plans in all States to assure all property owners fair access to insurance. These plans will end the practice of 'red lining' neighborhoods and eliminate other restrictive activities. They will encourage property improvement and loss prevention by responsible owners.

"I call upon the States to cooperate with the industry and, where necessary, to organize insurance pools and take other steps to cover urban core properties. These measures will assure that all responsible property owners can obtain insurance, and provide a method of spreading equitably throughout the insurance industry risks that no single insurer would otherwise accept.

"I recommend that the Congress establish a cooperative Federal-State-Industry program by chartering a National Insurance Development Corporation within the Department of Housing and Urban Development. * * * The Corporation will perform a number of vital functions in support of the actions of private industry and the States to assure adequate property insurance in all areas of our nation's cities.

"Through the sale of reinsurance against the risk of civil disorders, the Corporation will marshal the resources of the insurance industry and add to this the backing of the states and the Federal Government. Without this reinsurance, many insurers and State insurance regulators do not believe the industry can move forward to provide adequate property insurance in urban areas.

"This program will assist the insurance industry and the States to offer adequate property insurance for the inner cities. Through reinsurance, the program can help the States provide for the contingency of any large emergency loses. * * *

"Insurance is vital to rebuilding our cities. It is a cornerstone of credit. It can provide a powerful incentive for homeowners and businessmen to rehabilitate their own property and thereby improve the community."

2. NHC recommends approval of the President's proposal and the Insurance Development Bill of 1968 which would effectuate it.

CHAPTER R. PROGRAMS AND POLICIES FOR GENERAL APPLICATION TO HOUSING

I. Equal opportunity for housing

1. Throughout its entire life, NHC has been committed to equal opportunity for all American families to secure good housing in good neighborhoods. It again reaffirms this position. While recognizing the slow but significant progress that has been achieved in recent years, it deplores the fact that this opportunity is still denied to millions of American families throughout every section of the land because of their race, color, creed or national origin, or because of the myth which exists as to their desire, or ability to pay for and maintain good homes. To overcome this denial of opportunity and to dissipate these myths, a great challenge is facing the nation.

2. NHC has long supported the principle of a competitive housing market open to free bargaining by all American families without regard to racial or ethnic background. Many localities have been limited in achieving this objective, however, because of inadequate supplies of low and moderate cost living accommodations and by the congestion of many minority group families in limited sections of the community. To provide an adequate supply of housing, it is necessary to raise production to a minimum of 3,000,000 dwelling units per year.

3. We urge the President and the Congress of the United States to take all steps toward providing an equal opportunity for housing. This includes the adoption of such provisions as may be required in Title IV of the Civil Rights Act of 1968 to effectuate fully the foregoing open-housing objective of achieving equal opportunity for all American families to secure housing. We urge the Administration to take all necessary additional actions to achieve this equal opportunity objective.

II. Relocation

1. NHC has long recognized the need for coordinated relocation payments and practices within the various programs of the Federal Government. We have, therefore, given strong support to the Uniform Relocation Bill pending before Congress.

2. When homeowners or tenants are being displaced for urban renewal or other governmental action, there should be a Federal grant to provide adequate payments as equitable compensation to pay not only their moving expenses, but also to help them obtain decent homes elsewhere.

3. When a small business is being displaced through urban renewal or other governmental action, affirmative action should be taken to assist its relocation either within the urban renewal area or elsewhere. If it is to be relocated within the urban renewal area, there should be a policy to establish a rental for the small business which it can afford. In order to achieve this, an appropriate write-down should be made in the disposition of property under the urban renewal program. While it is recognized that there are allowances under the present legislation to cover the cost of relocation by a business which is displaced through urban renewal, we recommend this additional action to better assure the continuance of a small business that is being displaced. NHC also recommends the full implementation and use of the 1965 amendments to the Small Business Act for businesses which are being displaced by urban renewal or other governmental actions.

III. Uniform system for computation of incomes by HUD

1. At the present time, the methods of computing incomes differ in HUD, although the constituent agencies are administering comparable housing programs involving income limits. For years, public housing has allowed appropriate deductions or exemptions in computing the family income, such as:

(a) Deductions from the income of a secondary wage earner which recognize that there are expenses in earning such wages, so they do not represent a full increment to family income;

(b) Deductions for amounts paid for the care of children or sick or incapacitated family members when these are necessary to permit the wage earner to be employed; and

(c) Limited deductions for minors or dependent adults.

2. Although these deductions or exemptions are allowed in the public housing program, they are not recognized in the FHA program

involving rent supplements or below market interest rates under 221(d)(3). NHC recommends that similar deductions and exemptions be allowed by FHA in computing family income in these programs. In the Housing Bill of 1968 relating to the new home ownership program, a deduction of $200 from family income is allowed for each minor child and the earnings of all minor children are excluded from family income.

3. HUD should have a uniform system for computing incomes which would be used by all constituent agencies administering housing programs which involve income limits. To be fair and equitable, these should allow for appropriate deductions and exemptions of the character described above.

IV. Rehabilitation in slum areas not intended as containment program

Rehabilitation programs for slum areas are not intended to be containment programs which would restrict present residents so that they must continue to live there. They should have an opportunity to move into other areas. The NHC goals contemplate the development of new and rehabilitated housing in other areas which would be available for the low and moderate income families now living in slum and ghetto areas. To help assure the achievement of this objective, we recommend the enactment of legislation providing that no program of subsidy, aid, or assistance by any agency of HUD—including sewer and water facility grants, open space grants, community facilities grants, urban renewal programs, model cities programs, mass transit grants, and FH insurance—may be carried on within any jurisdiction if a reasonable share of housing will not be available for low and moderate income families. Such legislation would help assure the development of balanced programs of housing in new areas into which the residents of slum and ghetto areas could move.

V. Adequacy of housing to be provided for low- and moderate-income families

Federally-assisted housing program. are intended to provide adequate space and facilities and otherwise meet proper standards for low and moderate income families. To meet the needs of larger families, more housing units must be built of larger size and with more bedrooms. To meet the sanitary needs of larger families, there must be a repeal of the administrative limit of one-bathroom-per-dwelling unit in the rent supplement program. In climates with summers of much heat or humidity, air conditioning should be permitted. Provision should be made for the recreational needs of housing communities for low and moderate income families, including swimming pools. This will provide children with an opportunity to engage in wholesome and constructive activities instead of destructive ones. The foregoing measures to improve the quality of life in Federally-assisted projects will accomplish the objective described by the President in his message where he urged higher design standards in public housing developments so that "new projects can be pleasant places to live, reflecting the needs of human beings, with attention to comfort and convenience."

VI. Uniform system on tax exemption and tax abatement

1. In some HUD programs there is no requirement for tax exemption or tax abatement. This is true in the new leasing program for the use of privately-owned housing for public housing purposes. It is also true in the rent supplement program for those of public housing incomes. Yet, conventional public housing projects are required to have tax exemptions with a payment of 10% shelter rent in lieu of taxes. We previously recommended that conventional public housing projects be brought in line with those other publicly assisted programs which serve low income families. This would be done by permitting a payment in lieu of taxes which would be equivalent to full taxes.

2. There should be a more practical and consistent policy concerning the requirement for tax abatement on privately-owned projects assisted with below-market-interest rates or interest subsidies. Tax abatement should not be required on these projects, even as a means of offsetting the higher costs that prevail in some cities. Such tax abatement is often unavailable because of restrictions in state and local laws; moreover, the cities often face serious problems of inadequate tax revenues and are unwilling to grant tax abatement. Cost limits should be made realistic so that these private housing programs can function in high cost areas without requiring tax abatement.

VII. Disposition of federally owned housing projects

1. FHA has acquired ownership of rental housing projects upon which defaults have occurred. When requested, FHA should either lease these projects to local housing authorities for public housing or make negotiated sales of these projects for cooperative ownership by low income or moderate income families. Also, sales may be made to public agencies or nonprofit or other properly motivated organizations which will use them to provide housing for low or moderate income groups. The housing should be sold at a price and with a mortgage term and interest rate—on the purchase money mortgage accepted by FHA—which would enable the property to serve these income groups at monthly charges which they can afford. When necessary, financing should be made available to rehabilitate these properties. Such properties should be eligible for rent supplements and interest subsidies. These recommendations also apply to other federally-owned housing.

2. FHA has also acquired ownership of single-family homes on which defaults have occurred. In the disposition of this housing, FHA should meet the needs of those of low and moderate incomes. The housing should be sold to them at a price and with a mortgage term and interest rate—on the purchase-money mortgage accepted by FHA—which would be within the financial reach of the low and moderate income purchasers. Priorities should be established for sales which would accomplish this purpose, rather than granting priority to cash sales or sales involving conventional loans, as these generally involve purchasers with incomes above those at the low and moderate level. Legislation should be enacted if it is necessay to establsh disposition policies in accordance with the foregoing principles.

VIII. Opposition to "block grants"

NHC reaffirms its policy position opposing untied federal block grants and favoring federal grants tied to program objectives. While there are untied supplemental grants in the model cities program which we support, they differ from the proposed "block grants" to the States because:

1. Supplemental grants in the model cities program are provided as a means of giving cities an incentive to develop programs for the improvement of entire neighborhoods.

2. In contrast to the proposed "block grants" which would go to the States, model cities grants go to the cities.

IX. Federal controls on interstate sales of real estate

1. NHC supports the previous legislation introduced by Senator Harrison Williams of New Jersey which would provide for a full and fair disclosure of the nature of interests in real estate sold through the mails and by communications in interstate commerce. This proposed legislation would prevent fraud and misrepresentation in the sale of such real estate.

2. In hearings before the Senate Subcommittee on Frauds and Misrepresentations Affecting the Elderly, it has been shown that there are increasing instances of deception and fraud upon the unwary public. The Williams measure would provide effective protection of the public from being bilked into buying lots which are located in uninhabitable deserts, swamps or other undesirable areas.

X. Acceptance and accumulation of applications for programs

HUD has discouraged the submission of new applications in programs where a backlog of unsatisfied applications exists. NHC is strongly opposed to this discouragement of applications for HUD assistance. Even when there is an unsatisfied backlog of applications, HUD should continue to accept applications. There is no better way by which HUD can learn the needs and demands for programs which it administers, so that it can document and support requests for necessary Congressional authorizations and appropriations.

XI. Construction work for unemployed in ghetto areas

Increased construction volume will require substantial increases in the work force. The large pool of untrained unemployed within the ghetto is a large source of additional manpower. There should, therefore, be a massive program to accelerate the training of unskilled groups and to broaden their opportunities for employment in the construction industry.

XII. Support for international programs for housing

1. NHC is aware of the critical housing problems elsewhere in the world, particularly in the developing countries. We urge continuation and expansion of our Government's foreign aid programs for housing in the developing countries, particularly cooperative housing to provide ownership by moderate income families as contemplated by the Humphrey Amendment to the Foreign Assistance Act.

2. Further, we urge our Government to support efforts: (a) to elevate the importance of housing in the economic development process by supporting efforts to establish, within the framework of the United Nations, a specialized international agency dedicated to solving the housing problems of the developing countries; and (b) to increase U.S. financial support to U.S. universities and other institutions for research and training programs to help solve these housing problems and supply the trained personnel so badly needed.

3. NHC applauds the leadership provided by the United States in the adoption of a resolution by the United Nations Social Development Commission giving emphasis to a demonstration program for the improvement of squatter areas; also, the resolution calling for a study to establish an International Housing Year.

XIII. Extension of FHA authorizations

The FHA authorizations should be extended beyond their present expiration date of October 1, 1969.

XIV. Appropriations requested by administration

NHC strongly recommends Congressional approval of the budgetary requests of the Administration for HUD programs. These funds are urgently needed to meet the critical problems of our urban areas and the shortage of adequate housing for persons of low and moderate incomes. We further recommend the additional appropriations described elsewhere in these Resolutions.

CHAPTER 5. NEED FOR EFFECTIVE INSTITUTIONS, ADMINISTRATION AND FEDERAL-LOCAL RELATIONS

1. In itself, the enactment of adequate legislation will not achieve the goals set forth in these Resolutions; nor will it meet the needs of the American people or the crises in our cities. Laws are *not* self-executing. It is

necessary that the legislation include a mandate which will assure the establishment of effective institutions, administration, and federal-local relations. NHC recommends that legislation be enacted which would require the following actions by HUD to assure the effective execution of laws relating to the programs under HUD's jurisdiction.

2. HUD should redefine its role to concentrate on major policies and on constructive leadership in executing federal laws and to grant greater local autonomy to local governments and agencies in undertaking and operating projects involving HUD aid. NHC believes this HUD role would constitute creative federalism. The expenditure of federal monies should be subject to broad federal guidelines. Through the years, there has been a continuing increase in the burden and detail of HUD controls over local operations in the conduct of HUD-aided programs. All HUD controls should be eliminated which are not required by federal law. We will never achieve the volume and expedition required in programs authorized by the Congress unless there is a decentralization of responsibility to the local agencies involved. The local agencies can properly be held to account for their responsibilities under programs. There is no reason to assume that there is any less integrity and competence in local officials than in federal officials.

3. HUD should accelerate processing, production and decision-making by federal and local officials and by participants in *all* HUD programs, including the establishment of time schedules for all actions required. There should be a time limit for submission of applications by local agencies and a time limit for HUD action in approving or rejecting applications. However, qualified applications should not be rejected because of technical or insubstantial reasons, lack of money or lack of a priority status according to a schedule established by HUD; likewise, applications should not be rejected in order to remove them from the pending work load. On the contrary, there should be a HUD policy to encourage the filing of applications and the accumulation of a shelf of projects which would be ready to go if and when adequate funds become available. All qualified applications should be accepted and processed and held in a state of readiness so that Congress can be currently informed as to the backlog and demand for HUD programs.

4. After applications have been approved and allocations made, there should be a time limit for contracting and execution. With respect to requirements for HUD approval after a contract or commitment is issued, there should be a recognition that HUD has a certain period within which to act; and, failing such action on matters requiring HUD's approval, the proposal to HUD shall thereby be accepted and considered approved.

5. HUD should act promptly in making allocations and commitments of all authorizations and funds made available by Congress. Such allocations and commitments should be based upon:

(a) The requests that are received within a designated time which meet the applicable statutory requirements; and

(b) The respective needs of the communities involved.

There should be no impounding or holdback of funds. The money should be allocated and committed as quickly as possible. All monies should be made available based upon the qualified requests that are received within a prescribed time limit. The guideline should be the need for the program in the community involved.

6. HUD should simplify its regulations and conditions attached to HUD aid and eliminate the detailed controls over project development and operations. Such controls are overly burdensome, costly, and time-consuming. They discourage initiative and innovation. They are inconsistent with the achievement of the goals recommended in this report.

7. HUD should eliminate conflicting policies and requirements among its different units, as applied to comparable programs. For example, the methods of determining incomes under the Public Housing Program administered by HAA are different from those under the rent supplement and below-market-interest-rate programs administered by FHA. Some of these inconsistencies are due to administrative regulations while others may be due to provisions in existing laws.

8. HUD should consult with representative groups of local public agencies and private participants in each of its programs to identify problems which impede their progress and to develop workable solutions. For this purpose, HUD should establish:

(a) A federal-local committee on public housing and urban renewal; such a committee functioned effectively for years until it was discontinued.

(b) A federal-city committee on the model cities program.

(c) Like committees of representatives from the participants in each program; thus, there should be a restoration of the committee of representatives of cooperatives participating in FHA programs.

Each such committee would meet periodically to give HUD first-hand experience concerning the operations of the HUD-aided program involved. Such consultation should result in quick and realistic action in eliminating obstacles and solving problems. Otherwise, such obstacles and problems are long-neglected, often because they are not known or because HUD does not get proposals for solutions from those directly engaged in the program.

9. In the proposed legislation, Congress should require a report from HUD within six months (a) on the actions taken by HUD to comply with the legislation; and (b) on any changes required in existing laws to achieve the stated objectives.

TRIBUTE

Ernest J. Bohn

Lawyer, housing and planning official, state legislator, city councilman, author of the first state enabling legislation in the nation for low-rent public housing, a founder and first president of the National Association of Housing and Redevelopment Officials, advisor to Presidents, Governors and Mayors, and counsel to the world court of public opinion in behalf of the underprivileged—Ernest J. Bohn is returning his commission as Director of the Cleveland Metropolitan Housing Authority after more than a third of a century of selfless public service.

When Ernie Bohn first rallied the people, nation-wide, who were concerned with slum sickness that threatened the life of cities, their numbers were so few that they tell of caucusing in a telephone booth. Now, his co-workers are legion wherever man seeks social, economic and political equality. When he conceived low-rent public housing as a basic tool for social progress, Ernie Bohn rejected the concept of institutional living in projects, and built communities of homes called "estates". He has devoted his working life to creating physical and social environments where people live with dignity, and where democracy and freedom flourish.

Members of the National Housing Conference, assembled for their 37th Annual Meeting, honor Ernest J. Bohn for his countless contributions to the welfare of his city, state and nation, and respectfully suggest that his counsel is more essential to the people's welfare now, than ever before.

By honoring Ernest J. Bohn, members of the National Housing Conference reaffirm their dedication to the goals for America which he has articulated so clearly and for which he has fought so long, and pledge their continuing enlistment under his dynamic leadership.

Walter Mayes Simmons

Walter M. Simmons, executive director and secretary of the Memphis Housing Authority since 1938, died after a long illness on February 22, 1968. The greatest monument to his thirty years of service, is the rebirth of his beloved City of Memphis. Thousands of Memphis families live in good homes in good neighborhoods because Walter Simmons never faltered in his efforts to create communities where his less fortunate neighbors could live with dignity. As Chairman of the Memphis and Shelby County Planning Commission, he set a constant goal of making no little plans. As director of the urban renewal program in his city he carried out those plans, added hundreds of millions of dollars in physical values to Memphis, while helping to create one of the most viable, and exciting, cities in the nation.

Walter Simmons is missed by his colleagues from coast to coast. His loyalty to the National Housing Conference, and his efforts to strengthen the hand of this organization on the national front, are major reasons that members of NHC are able to meet for their 37th Annual Meeting on March 3, 1968. By official action of its membership, the National Housing Conference extends its deepest sympathy to Walter's family on their great loss. Walter was one of NHC's most effective members, whose name will long be cherished. In his honor the membership of the National Housing rededicate themselves to a continuation and expansion of the housing and urban development programs and concepts that he sponsored and administered so brilliantly.

Honorable Brent Spence

Elected to the House of Representatives from Kentucky in 1930, Brent Spence served his district, state and nation for thirty-three years as a champion of all people, particularly those who today are termed the disadvantaged. He served on the House Committee on Banking and Currency, and fought for passage of every housing and urban development law that has been written into national law. He was Chairman of the Banking Committee for 18 years, and was author in the House of Representatives of the Housing Act of 1949 which stated as national policy that every American family is entitled to a decent home in a decent living environment.

In September of 1967 the nation was saddened by the death of Brent Spence at the age of 92. While members of the National Housing Conference mourn his loss, they rejoice that for more than thirty years they were permitted to serve under his inspired leadership and to assist him in achieving legislative action that brought good housing to millions of American families.

Assembled for their 37th Annual Meeting, members of the National Housing Conference extend their deepest sympathy to members of his family.

By Resolution of the Membership of the National Housing Conference, Washington, D.C., March 3, 1968.

THE SHORTAGE OF AIRPORT FACILITIES

Mr. FANNIN. Mr. President, much is being said and written about the critical shortage of airport facilities against a background of a growing volume of commercial and general aviation.

Recently, Mr. Cyrus S. Collins of American Airlines reported on this subject in a paper entitled, "Challenges Facing the Air Transportation Industry." This report was made to the Southwest Transportation Seminar at Tempe, Ariz.

Because this is a problem which demands a solution I would like to call it to the attention of the Senate and ask unanimous consent that this speech be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD:

CHALLENGES FACING THE AIR TRANSPORTATION INDUSTRY

(By Cyrus S. Collins, vice president, public affairs, American Airlines, Inc., before Southwest Transportation Seminar, Tempe, Ariz., February 2, 1968)

Dr. Duriez, fellow panelists, and guests, I am delighted to be here and honored to participate in this seminar, representing the airline industry.

The airlines are the youngest segment of scheduled transportation. We are also the fastest growing, and with expenditures last year of just over $2 billion for new plant and equipment, we have taken over the industry lead as measured by quantity of new investment. The airlines now account for about 3% of total U.S. private investment. As we approach economic maturity, and can no longer absorb constantly increasing labor and material costs without reflecting these increases in our fare structure, we have much to learn from the experience of other segments of the transportation industry, and in particular, the railroads. For that reason, too, I welcome the opportunity to be here today.

Before I comment on our chief areas of concern for 1968, let me draw a couple of interesting comparisons from the history of transportation right here in Arizona. I understand that the first scheduled transportation in this area began in 1857 when the San Antonio and San Diego Stage Company started operations. One of their advertisements stated, "Passengers and mail are forwarded in New Coaches drawn by six mules over the entire length of our line, except from San Diego to Yuma, a distance of 180 miles, which we cross on mule back."

The fare from San Diego to Tucson was $125 and it included the guarantee that an armed escort would accompany the stage coaches through the Indian country.

We have made some improvements in speed and comfort and effected certain economies, including elimination of the armed escort, and can offer the same trip today for $27.60.

Transportation in the southwest became big business shortly before the Civil War. The Overland Mail Company connected the western terminus of the Missouri Pacific Railroad at Tipton, Missouri with San Francisco. The company had 100 heavy Concord coaches, 1000 horses, 500 mules and 750 employees. Its government contract required the line to make the 2750-mile trip in 25 days, and I understand they had a splendid record of schedule performance and usually made the trip in only 23 days. Lack of competition often permits a conservative scheduling policy, but this was good performance.

But the Overland Mail operation did not succeed in attracting sufficient traffic to show a profit from passenger revenues, so the Federal Government subsidized the mail service. It was quite a subsidy, and had to be, because the cost of delivering mail from coast to coast averaged about $65 per letter.

You would be surprised at the number of people who think that the Post Office still subsidizes the airlines for the carriage of mail. Actually, in our view, the pendulum has swung a little too far in the other direction. At the old 8-cent air mail rate the Post Office kept 7.3 cents and gave the airlines .7 cents. At the new 10-cent rate the Post Office keeps 9.4 cents and the airlines receive only .6 cents. And when first class mail moves today aboard an airliner, the Post Office keeps 5.85 cents of the cost of the new 6-cent stamp, and we get 0.15 cents.

Instead of receiving, we seem to be on the giving end, and that's part of our problem.

Rapid growth has been the story of recent airline success, but it is also the root of two of our most pressing problems, both of them calling for careful consideration in the formulation of federal policies for the immediate future.

These two problems, which I will discuss briefly today, in the context of our seminar subject, are:

First, the profit squeeze; and

Second, the growing congestion at our larger hub airports and on the surrounding airways.

There is nothing new about the concept of a profit squeeze, either in the economy at large or in the transportation business, which has had its fair share of this problem at various periods in the past.

What makes the squeeze on the airlines today a matter of rather special concern is a combination of two factors. It is developing against a background of an extraordinary growth which has seen our industry almost double in size every five years, with future growth projected at a corresponding pace, despite the larger base. The second factor, resulting from the first, is our industry's truly awesome projected requirement for new capital.

During the ten-year period 1957 to 1966 the average annual growth rate in passenger traffic of the major U.S. airlines was 12.5%. For the next five years through 1971 the average annual growth rate is forecast to be 13.8%. And cargo traffic is growing even faster. The average annual growth for the 10 years through 1966 was 19.2%, and the industry anticipates an annual growth rate of 21% for the next 5-year period.

To accommodate this growth the 12 major U.S. airlines are planning to spend $10.5 billion in the next 5 years. Ground support equipment will be a significant part of this total. Of the $10.5 billion, $1.7 billion or 16.2% will go for ground support equipment such as new reservations systems, baggage handling facilities, cargo handling facilities, and additional equipment required to handle the Boeing 747's and the new jumbo Trijet aircraft.

Capital expenditures this year alone will grow to a new high—$2.7 billion dollars, of which more than $400 million will be for ground support equipment. A substantial amount of the planned capital expenditures for each of the next five years will go for advance deposits for aircraft to be delivered in subsequent years. We are already making advance payments for the Boeing 747 in installments over a three year period with 50% of the purchase price met six months prior to delivery. There are presently 100 747's on order by the 12 major carriers. The carriers must deposit $1 billion in progress payments on 747's alone prior to delivery. The money of course will not earn any return for the carriers before the 1970's.

We paid $5 to $7 million for each 727 or 707. The new jumbo Trijets will cost $15 or $16 million, and the 747's come to over $20 million per plane.

The cost of all flight equipment in service at the beginning of 1967 was about $5.5 billion. With the present program for the next 5 years, the airlines have committed themselves to an investment nearly 200% of the value of the entire fleet at the beginning of 1967. Yet the projected industry growth rate on which the equipment purchases are planned is not out of line with the last five years of history, and with the higher unit cost of new aircraft.

So, you may ask, what are we worried about?

Quite simply, our revenues, although climbing rapidly are not keeping pace with our expenses. The reason is clear.

The simplicity and efficiency of the turbine engine, and the genius of the engineers who designed today's jet aircraft have enabled us to reduce unit costs, which we call costs per revenue and available seat mile, despite the upward spiral in the costs of the wages we pay and the materials we buy. This lowering of unit costs has permitted us to make actual decreases in passenger fares and freight rates.

Measured against a 1957–1959 base of 100, the average cost of all items in the consumer price index was 117.1 for 1967. Services, reflecting higher labor costs, were up even more, and public transportation as a whole was up to 133. Air fares for domestic trunk carriers measured against the same base, were 98.7, and our air cargo rates were 94.4. These lower fares have stimulated traffic, but there are clear signs that we have gone about as far as we can go, because unfortunately our ability to continue to pass on to our passengers the benefits of lower unit costs has come to an end. Our unit cost levels have bottomed out. The fleet conversion to jet aircraft is almost completed, and the new generation of jumbo jets and SST's in a mix with existing fleets does not promise any dramatic change in this pattern.

Much attention has been given to the recent favorable earnings record of the trunk airlines and yet in only one of the last 12 years have the carriers as a group exceeded the CAB's allowable fair rate of return of 10.5% on total investment. With an ever increasing investment base, American's 1967 earnings reflect an actual dollar decline from 1966, and we will be happily surprised if this year's results are as good as 1967's. Since we must maintain a satisfactory rate of earnings to protect our credit rating and our ability to sell securities or make new borrowings to meet our capital requirements, it is easy to see the cause for our increasing concern.

We believe the industry and the CAB will have to face up to the problem of inadequate return on investment caused by low fare yield before this year is out.

The second problem, that of congestion on the airports and airways, is receiving increasing attention, not only from us, but from the Administration, the Congress, and the airport operators, who are directly concerned and who have more power than they perhaps realize to find solutions.

It may, in a sense, be somewhat anomolous to talk about airport and airways congestion here in the southwest, where it is not yet a problem. And yet, the situation is so threatening to our industry, and in such need of careful examination in the determination of federal policy, that it seems to me to be appropriate for discussion at this seminar. It has furthermore been the object of some highly pertinent and thoughtful pronouncements by the new Department of Transportation. This policy statement deserves careful attention; I will comment on it in greater detail after describing the nature of the problem.

It is increasingly apparent that demand for airport runway use is exceeding supply. This excess of demand over supply is leading to serious operating delays, most of them at the 23 largest hub airports. Two years ago, the Federal Aviation Administration estimated that these delays were costing the airlines some $40 million a year. The added cost to the individual passengers who are delayed is harder to calculate, but it is obviously high and getting higher.

Congestion and delays are not limited to the ground. They occur in the air as aircraft are stacked in holding patterns, some of them far removed from the airport. These patterns often stretch back so far as to interfere with traffic patterns in distant cities, and it is not unusual for a congested pattern in New York to delay the departure of an aircraft from a city as far away as Chicago.

It is often assumed that the growth of airline traffic is the principal cause of this congestion. It is indeed one of the causes, but when we examine the total growth record in air transportation we can readily see the significance of another cause: the even more impressive growth rate of private flying, usually referred to in our industry as "general aviation".

Today the private aircraft fleet for out-numbers the airline fleet, and is growing considerably faster.

In 1956 the airline fleet totaled 1881 aircraft. The private fleet totaled 63,000. Today there are about 2400 airline aircraft, but the private fleet has risen to over 100,000. Looking ahead 10 years we estimate that the airline fleet will total about 3500 planes, while the private aircraft total will reach 180,000.

The private fleet is not only larger, but is far exceeding the airlines in flight hours. The airlines flew 3,800,000 hours in 1956. Private flying totaled over 10,000,000 hours, or 73% of the total. The private flying percentage has risen to 78.5% today, and is not expected to diminish in the next ten years in spite of the impressive growth of the airlines.

This rapid growth in private flying is also reflected in percentage of use at our leading airports. At these airports, those with FAA control service, the airline percentage of total use has dropped from about one-third in the early fifties to 20% today. It is projected to drop further, to only 12% ten years from now.

One reason for this trend is the use of larger aircraft by the airlines. Much of our growth is being accommodated without a proportionate growth in the number of operations. The average number of seats on each airline plane operating out of New York was 52 ten years ago. It is now over 90, and will reach 111 by 1970, and 156 by 1975.

Those of you who travel frequently on the airlines probably think of Friday as a bad day to fly. Delays are worse on Fridays, and much publicity was given to the famous black Friday in New York a few years ago, when weather and congestion combined to grind our operations nearly to a halt. It is true that airlines carry more passengers on Fridays, but this affects only the volume inside the terminal buildings. In terms of total operations, the airlines fly only one percent more schedules on Fridays than on Mondays, Tuesdays, Wednesdays and Thursdays. So the congestion on the runways is not due to increased airline operation, but rather to the perfectly natural inclination of the private flier to come and go on his own business at the same peak hours our passengers chose to arrive and depart on theirs.

Private flying gives us concern under two other headings. One is safety. This is a direct effect of differing operating standards. Although some corporate aircraft in the private fleet and most of the air taxis are flown by professional pilots whose training and whose records approach airline standards, there is still a dangerous difference in minimum standards. A 17-year old boy, who is not permitted to drive to or from the airport, can land his own plane at LaGuardia or O'Hare at night or during the hours of peak airline use. Seventeen year old boys have not presented us with a large problem, and I use the example only as an illustration of the differing minimum standards and their obvious relationship to safety.

Airlines require full instrument flying capability, complete navigation systems, with transponders for positive air traffic control. We have two pilots in the cockpit, both with air transport and instrument ratings for all-weather operation. The minimum requirement for private flying in the same locations under visual flight rules is a radio and a single pilot with a private license.

Airline pilots receive recurrent training on a continuing basis. They must obtain an FAA rating for every new type of equipment flown and must pass semiannual proficiency checks. The private pilot is not required to undergo any training beyond that needed for his private license.

The physical exam for private pilots is less rigorous than that required for a truck driver operating across state lines.

It seems obvious to us that standards for private flying in and out of airports serving large numbers of airline jets must be upgraded to approximate as closely as possible the standards of the airlines.

The last of our problems with private flying relates to the costs of operating airports and the nation's airways.

Most hub airport costs are almost totally underwritten by the landing charges paid by the airlines and passed on to the passenger as a part of the cost of his ticket. The small private plane pays an insignificant minimum landing charge, usually less than $10. Yet the private plane takes as much or more time on the runway than does the airline plane, which pays landing fees many times higher.

Similarly, the airline passenger, paying a 5% tax on his ticket, is paying his share of the cost of the nation's airways. The private pilot pays only a small gasoline tax which produces only about one percent of the annual cost of operating the airways.

Clearly the private pilot is getting a free ride. We would have no objection to that, nor would the public using the airlines, if it were not for the congestion, related expense, and added delay—and the safety hazard—that results from private use of the large hub airports at peak hours.

It is far less expensive to build small airports to accommodate private aviation than to invest the half billion dollars required for new airline jetports. A well-equipped private airport can be built for one-twentieth of the cost and on less than one-twentieth of the land required for the airline jetport.

Construction of new satellite private airports is essential, and there are many existing facilities that can be upgraded or used in their present state by private fliers. But only by restrictions placed on airport use by the airport operators, or by higher safety standards, or by user charges reflecting the true cost of use—time on the runway, or preferably by all three, can this problem be resolved.

We do not feel it is fair to our passengers, the people who cannot afford to own their own planes, to ask them to subsidize those who can.

Fortunately the new Department of Transportation is focusing on the problem. I referred a few minutes ago to an extremely significant policy statement on this subject. It was contained in a speech made last November by the Assistant Secretary of Transportation, Cecil Mackey. I quote:

"As with any scarce resources, airport capacity and airspace capacity must be allocated in a way which takes into account the productivity of the users in the light of our overall transportation objectives. This means that allocative techniques must be established that yield the greatest return on our investment.

"Normally in our private enterprise economy, this process, which is in effect a rationing process, is carried out by the price system. But here, in air transportation, where the Federal Government controls the airspace system, and governmental units of one kind or another own and operate many of the airports, the price system is only marginally applicable. Instead, public policy at each level must establish the necessary combinations of pricing and regulatory techniques that will ration the resources so as to gain the greatest possible use.

"In the case of airports, there has been virtually no use of regulation to relieve congestion or increase efficiency. Where charges have been imposed, generally in the form of landing fees, the objective has been simply to 'pay' for the facilities. The notion of rationing; i.e., the deliberate manipulation of charges and other devices to increase capacity, improve productivity, relieve congestion or achieve greater efficiency, has literally played no significant part in our provision of air transportation facilities.

"All too often local authorities have not been willing to take the steps which in our economy are normally considered quite logical to solve either their financial problems or their congestion problems. Frequently aviation has simply not been assigned a very high priority at the State or local level nor has there been a willingness to levy charges on all users consistent with the facilities and services offered or desired.

"The Department of Transportation recognizes that the problems associated with aviation growth cannot be solved simply by unlimited additions of concrete and electronic gear. The problem is basically that of allocating scarce resources and must be dealt with in those terms. This is the approach that we will be taking. We will encourage both private and public authorities to use their initiative and imagination in dealing with those aspects of the problem which can best be handled at the local level."

The concept of establishing user priorities, of allocating scarce resources in the public interest may appear basic and self-evident, but it reflects a thinking almost totally absent from the aviation scene during the years of helter-skelter growth. It is an example of simple logic and a perceptive approach that must emerge as we undertake a systems study of our problems. The systems concept was implicit in the creation of the new Department of Transportation, and we welcome it as we look to continued progress in the development of federal transportation policy.

A few weeks ago Bob Bedingfield, the *New York Times'* able transportation writer, started a feature article as follows:

"The transportation industry, coming out of a year of constantly rising wage and material costs and facing another with even steeper increase in sight, views 1968 somewhat as an uncommonly intelligent turkey might view the month of November."

We know what he means. But despite the problems I have outlined and several others I have not had time to mention, we expect to survive November 1968 and many future Novembers as well.

Thank you.

THE FINANCIAL STATEMENT OF SENATOR MOSS

Mr. MOSS. Mr. President, in accordance with a practice I adopted several years ago, and have followed faithfully, I am again making public disclosure of my income and assets. The fact that the U.S. Senate will shortly consider the report and resolution on ethics has not in any way triggered this disclosure. I simply feel that this is an appropriate time to do the job.

Since I have practically no income beyond my Senate salary, and my assets are very modest, some of my colleagues may wonder why I am making this information public. I am doing so because I feel that all public officials owe it to their constituents to report to them, at regular intervals, their full income and assets, and I do not want to be in a position of calling on others to make a disclosure which I have not made myself.

My total income for 1967 was $34,922. Thirty thousand of this was my salary, and the additional $4,922 came from honorariums for speeches, consulting fees, stock dividends, and royalties on my book "The Water Crisis."

My total assets at this time are $43,704.20, which includes the equity on my homes in Salt Lake City and in Chevy Chase, Md., my saving and building association accounts, two Utah building lots and my family car.

My liabilities total $56,481.18, consisting mostly of the mortgages on my two homes, and loans connected with the purchase and renovation of the Salt Lake City home.

All amounts are approximate. My wife has no additional income or earnings.

Following is a complete listing of my income and assets for the calendar year 1967:

Financial statement, Mar. 15, 1968

(All amounts approximate)

ASSETS	
Savings, Oriental Building Association	$2,504.20
Checking account, Riggs National Bank	1,000.00
Lot in Holladay, Utah	750.00
Lot in Salt Lake City, Utah	8,000.00
1965 Ford Mustang	1,200.00
5 shares stock, Standard Oil Co. of California	250.00
Equity in home in Salt Lake City	10,000.00
Equity in home in Chevy Chase, Md.	20,000.00
Total	43,704.20
LIABILITIES	
Mortgage on Salt Lake City home	21,000.00
Mortgage on Chevy Chase home	19,239.00
Personal note due in 1971	10,000.00
Loans on insurance policies	6,242.18
Total	56,481.18
INCOME	
All income for 1967, including $30,000 salary, honorariums, consulting fees, stock dividends, book royalties, etc	34,922.40

WHAT WHITE AMERICA MUST DO

Mr. HARTKE. Mr. President an editorial in the just-out Saturday Review issue dated March 16 is devoted to the urgent problems of the cities. The article, titled "What White America Must Do," is written by the magazine's special consultant on urban affairs and author of the book, "Cities in a Race With Time," Jeanne R. Lowe.

Mr. President, I ask unanimous consent that this penetrating discussion, dealing with the problem of our "race with time" before another so-called long hot summer, may be inserted in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHAT WHITE AMERICA MUST DO

(EDITOR'S NOTE.—Jeanne R. Lowe, author of "Cities in a Race With Time," is special consultant on urban affairs to SR.)

On the whole, the massive report by the National Advisory Commission on Civil Disorders is a brave and basic document—far better than progressive Americans, white or black, had expected. It even drew a hopeful response from Black Power spokesmen. Yet the aftereffect of reading the commission's historic indictment of white racism as the "fundamental" cause of Negro rioting, and its detailed (too familiar(description and (bigger but still familiar) prescriptions for steps to alter ghetto conditions is a terrible letdown. Where do we go from here?

The crucial question remains unanswered: What can be done to prevent recurrent rioting and even open rebellion? The commission's proposals provide a blueprint for comprehensive action on causes. But they do not tell us what should be done now to reduce the possibilities of bloodshed in the cities this summer. Nor does the report detail the causes of or prescribe cures for the underlying erosive factor of racism.

A timebomb is ticking in the cities. Tensions, resentment, and militancy grow among Negroes who are cynical about a national government that has cut back such essential programs as the youth Job Corps and training, and about local governments that have done nothing since last summer except beef up their police arsenals. The commission has handed the country a laundry list of unexceptionable programs so massive and manifold that action on all but a few before summertime is clearly impossible.

We can do virtually nothing between now and June to win the war on poverty, or to undo the multiple burdens of discrimination and segregation detailed by the commission. What is possible, and what must be done, is to buy a little time by giving substance to the faith that the majority of Negroes still have in this country through a major demonstration of our commitment to new national priorities and full equality.

We must take immediate dramatic steps, backed up by the most effective legislative programs, to close the credibility gap that steadily pushes black America further away from white America and breeds violence.

Whitney Young of the Urban League is right in declaring that the Negro problem has been studied to death and that the time has come, instead, to study the problems of white America. For as Swedish social economist Gunnar Myrdal found so clearly some twenty years ago in his study of the Negro in America, "the Negro problem is predominantly the white man's problem," and, "all our attempts to reach scientific explanations of why the Negroes are what they are and why they live as they do regularly led to determinants on the white side of the race line."

For generations, Myrdal wrote in *An American Dilemma*, the majority of Negroes, although subordinated and suffering the consequences of the failure of America to live up to its creed of equality, justice for all, and the essential dignity of man, were "under the spell of the national suggestion." The summer-time riots indicate that the new, young, urbanized and more educated Negro has fallen out of the spell; he has lost faith.

What can America do *now*—between now and June? To begin with, we can certainly stop debating spending priorities between Vietnam versus the cities, and a tax increase versus inflation, as though these were the only alternatives. Doubtless a tax increase will be needed, but within the proposed current federal budget the Administration and Congress can cut back major nonessential, nondefense spending and divert billions into crash programs for cities. This shifting of funds and priorities will demonstrate to black America that this country means what it says. Money can be available if we:

Cut back a good part of the several billions that are paid annually to farmers and growers for keeping land out of cultivation and for price supports. As it is, little of this farm payments program fights rural poverty.

Shelve plans to build the SST. The prospect of flying Americans from New York to London in an hour and a half is of far less national importance than moving Negroes into the mainstream of American life.

Divert large sums from the moonshot. By postponing this effort in order to repay a long overdue debt to the American Negro, we will do far more to enhance our world prestige.

Slow down the crash program for urban highway construction. The temporarily unfinished highways can serve as visible monuments at the entrances to cities of our nation's unfinished business. As it is, proposed routes only threaten to wipe out the homes of poor Negroes who have no place else to go. And these "freeways" are a mocking reminder of the Negro's immobility in metropolis, while the white suburbanite moves freely.

With money thus saved, Congress should enact and fund several major programs that will do the most the soonest for the people living in ghettos:

A major rent supplement program to allow hundreds of thousands of slum dwellers to move into existing standard private housing at decent occupancy standards. It seems impossible—based on past performance—to build any part of 600,000 new publicly assisted units this coming year; only a fraction of 6,000,000 are possible in five years.

A massive work-study-training program for at least half a million youths, tied in to urban and rural rehabilitation projects, to direct their frustrated energies and hopes into constructive, meaningful work that will give a stake, as well as a part, in improving their environment.

Give Negro youth hope of a fair chance in the job market if they study and train by putting major federal funds into staffing the Equal Employment Opportunity Commission and making our civil rights laws a reality.

Let a Negro's dollar buy housing wherever he can afford it, and without the "color tax," by enactment of a strong federal open housing law with full enforcement power and staff to back it up. (The commission softpedaled the severe effect of the discriminatory housing market on the whole complex of forces affecting the Negro's chances.)

Enact an emergency summer-school program to pay the salaries of teachers, for operation of schools and even busing of children, to give remedial instruction to youngsters who are falling behind in class.

What can we do—indeed, what must we do—to cure the "fundamental cause" of our so-called Negro problem: white racism?

Unless each white American can honestly examine himself and admit his blame for racist behavior patterns and come to see that the current crisis is the product of a failure in human relations and the practice of democracy—unless we can recognize these things and start doing something to change them—we will never root out the basic illness that corrodes our society.

We must listen to the militant Negro American's critique of American society and of individual white Americans' conduct toward blacks; see how he perceives our practice of "democracy," "equality," and "human dignity." Read books that explain the false basis of race pride and prejudice and white superiority. We must be willing to reexamine, rewrite, and start teaching correctly to both adults and children the history of the Negro in America as it really is, and of white conduct toward the Negro. We must come to see that the reason the Negro American has less than his share of the goods of America is because white America has systematically (if sometimes unconsciously) excluded him, and then alter this system. We must make an effort to expose ourselves to the actual conditions of life for ghettoized Americans, and endeavor to help them help themselves to change things. White Americans must learn to know black Americans as fellow men and women.

Unless we also do these things that cost not money but human effort, no amount of money will help. If we begin, we may win the wars that we are now losing both at home and abroad.

JEANNE R. LOWE.

A TIME FOR LEADERSHIP

Mr. HANSEN. Mr. President, in the past few weeks I have felt compelled to challenge the President and other leaders who assert that violence in our cities is inevitable.

I believe that the vast majority of Americans, of all races and all political opinions, see mass violence as a threat to themselves, their families, their property, and the Republic itself.

Yet, we seem to be at a point in time where mass violence is to be tolerated, or to be excused in advance. We also see the threat of mass violence used as a pressure tactic, to force Congress and other levels of Government to act.

A very thoughtful article, "A Time for Leadership," appeared last week in Roll Call, a weekly newspaper published on Capitol Hill. I would particularly like to call attention to one statement in this article which underscores something which has troubled me:

There is a certain incongruity here. The President says that riots are inevitable whatever the Congress does, the advocates of particular pieces of legislation say that riots may be averted if their own favorite bills are passed. Yet, Congress passed Civil Rights bills in 1964, and in other years, but violence continued to increase. The correlation between the two is difficult to see.

Mr. President, I ask unanimous consent that this article be inserted at the conclusion of these remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A TIME FOR LEADERSHIP: PROSPECT OF SUMMER VIOLENCE IS SEEMINGLY ACCEPTED

(By Allan C. Brownfeld)

There was a time when violence, or the threat of violence, was universally deplored. This was so, even in a country which had grown up by pushing Westward into less civilized frontiers, into places where the law did not reach, and where, for at least a certain period of time, might tended to make right.

We have had sporadic thrusts of violence in America. The twenties was the era of gangland murders, the Ku Klux Klan inflicted its own terror on the rural countryside, the Civil War saw riots against the draft, recent years have seen acts of violence stimulated by racism, the bombing of a Negro church in Birmingham, looting, arson, and murder in Newark, Detroit, and Los Angeles.

Until today, however, the majority of Americans, and more particularly our leaders in Government, have deplored all resort to violence. Violence seemed to erupt, but rarely did "responsible" spokesmen for any group speak of it as an affirmative good, and as something toward which they were aiming. When violence did occur, it was rapidly placed under control, and those who had perpetrated it were held responsible, both legally and morally.

Today, after several summers of rioting and a terrible cost in life and property, we approach the summer of 1968. Instead of taking every step to prevent a repetition of such violence, President Johnson has said that riots were inevitable. Instead of trying to exercise responsible leadership, the more vocal Negro spokesmen have used violence as a threat of blackmail in advancing demands which the society as a whole finds unreasonable, but not nearly as unreasonable as the tactic.

In an off the cuff talk to college students this month, President Johnson said that "we will have several bad summers before the deficiencies of centuries are erased." He gave his reply in answer to a question from a Negro student who wanted to know whether the President could avert another bad summer.

Mr. Johnson gazed at the rug for a moment and said: "We can't avert it." He said that the best would be done with the resources available, but he did not see that anything could prevent more trouble in the cities this year and in the future.

The expected public reaction to this statement, which sounded very much as if the Administration simply was planning for violence and was taking no real steps to prevent it, was slow to come. In fact, it has not come yet.

One critic, Daniel Moynihan, now director of the Joint Center for Urban Studies of the Massachusetts Institute of Technology and Harvard University, did speak out. He said that the assumption by many liberal Americans and even by the President that violence is inevitable in American cities this summer "begins to erode the process of the American Republic."

"Violence," Moynihan stated, "is never inevitable; violence is never admissible in this society." He said the fact that the "President himself lent credence to it (violence) the other day when he said there will be monstrous rioting next summer is just that—monstrous. There must be a stop to it and particularly an immediate and passionate objection" to the notion that gives "aid and comfort to an ever-rising tide of domestic violence."

Moynihan urged liberals to "decry most especially any legitimization of it (violence) in terms that the failure of liberal efforts to maintain the pace of social change or to change the course of foreign policy, or to produce a sane and loving society, somehow makes violence inevitable . . ."

He said that the civil rights movement of today has become "a caricature of the movement it was fighting against." And responsible publications have provided such advocates of violence with a forum.

Daniel Watts, editor of the black nationalist magazine, The Liberator, wrote an article entitled "America Will Burn" in the Saturday Evening Post. His conclusion: "Black America has reached its Rubicon. We can prepare a modern Noah's Ark and return to Africa or select and seize a separate state, but these plans are hardly practical. Yet we are strategically located in the cities; more and more the heart of the city is the black man's land. We do not possess the power to overthrow, but the riots have proved that we have the power to disrupt, to burn . . . We shall share in the economic power of this land or perish in the streets. Clearly, Whitey won't let us share, so it's burning that must come."

Thomas M. Tomlinson, a research psychologist for the Office of Economic Opportunity said that the riots will continue "because the mood of many Negroes in the urban North demands them, because there is a quasi-political ideology which justifies them and because there is no presently effective deterrent or antidote."

In Washington, D.C., Marion Barry, local leader of the Student Non-Violent Coordinating Committee, and the Rev. Edward A. Hailes, the chapter secretary of the N.A.A.C.P., said that violence would erupt in the city's "Harlem" unless Negro frustrations were recognized and dealt with.

The Rev. Fred Shuttlesworth, an aide to Martin Luther King, said that many Negroes have become convinced that violence can accomplish things that nonviolence could not. They will not abandon this belief, he said, "until they come to realize that violence engenders the very hate and bitterness that we are trying to destroy."

A Negro Quaker, whose religion historically has condemned violence and stressed peaceful reconciliation of conflicts, said that "violence is inevitable in the revolution" to establish justice for Negro Americans. Barrington Dunbar, a New York social worker and representative of the American Friends Service Committee to the Black Power Conference held in Newark, New Jersey, said that the present situation "demands militancy. It demands revolutionary tactics rather than accommodation to the system that has been brutal and violent so far as the Negro is concerned."

Here we have it. Militant Negro spokesmen, who are by no means leaders of any recognized constituency, urge and advocate violence. The Government says that, yes, violence is to be expected. Respected newspapers say that Congress must pass the 1968 Civil Rights bill, not because it is good legislation, but because if it does not pass, we will have riots.

There is a certain incongruity here. The President says that riots are inevitable whatever the Congress does, the advocates of particular pieces of legislation say that riots may be averted if their own favorite bills are passed. Yet, Congress passed civil rights bills in 1964, and in other years, but violence tended to increase. The correlation between the two is difficult to see.

What is more clear is that we are rapidly moving away from the democratic process. We are tending to support or oppose legislation not on its merits, but on the basis of what its supporters might do if it were rejected. This becomes government by blackmail, might becomes right, and Congressmen and Senators might just as well stay home.

Now Martin Luther King threatens to close Washington down unless his demands are met. Dick Gregory threatens to close down the Democratic convention in Chicago unless his demands are met. The President is unsafe on the campaign trail. It is difficult to understand why the President is willing to preside over this disruption of the process of government, the very kind of disruption which may make his own defeat inevitable.

Members of Congress, needless to say, do not want to be threatened. Without the freedom to consider legislation on its merits, debate it freely, and vote as conscience dictates, our form of government will be hollow indeed.

Americans remember a time when the perpetrators and advocates of violence were the ones at fault, not the honest citizen attempting to go about his daily business. Now those who advocate violence are hailed as leaders, and the Administration declares that their wildest threats are inevitable realities. While all of this occurs the President says that he is concerned with making our streets safer. Safer, we might ask, for whom?

THE PRESIDENT'S MESSAGE ON CONSERVATION

Mr. MOSS. Mr. President, President Johnson has sent to the Congress the most sweeping, comprehensive conservation message ever sent by a President to Congress. I have studied the message and support it wholeheartedly, for I believe its proposals are necessary, as the title of the message indicates, "To Renew a Nation."

The President points out we have accomplished a great deal in the field of conservation, and I am proud to say I have helped in these past accomplishments. As a member of the Interior Committee and the Public Works Committee, I have authored some legislation, cosponsored and supported still more, in the important fields of air and water pollution, recreational development, reclamation, and ocean exploration.

On the Senate floor, in committee hearings, and in public speeches, I have at one time or another spoken in behalf of nearly every measure mentioned in this message. I was especially pleased to see the call for passage of the central Arizona project which will provide much-needed water for a large portion of the West.

But, as the President points out, the need for legislation is not over. Some of the areas he mentions and some of the legislation he calls for will engage the Congress for years to come.

The importance of water- and air-pollution control has been brought to the attention of the public and important corrective steps are being taken, but we need to do more.

Our landscape needs protection. In many areas, once the damage is done, we can never recover. We have passed laws in this area, but we need to do more.

We have already set aside many areas for outdoor recreation, but not enough to fill the future demands of our growing population. We need to do more.

I have already joined with Senator DANIEL BREWSTER as a cosponsor to his bill which would establish the Potomac National River called for by the President.

The ocean may well hold the key to our future existence on this planet. We know it contains the minerals and food the world's population will require in future years. We have begun studies to determine what the oceans contain and how we can best use them. But we must do more.

In all of these areas there is much we can and must do. The President has outlined the needs in each area. But we must not waste time, we need to get on with our part of the job.

I ask unanimous consent to insert at this point in the RECORD an editorial from the New York Times on this subject.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

TO SAVE A NATION

Man's technological capacity to alter his environment and his preference for speed, profits and convenience have placed his very existence in jeopardy. From the ravaged redwood forests of California to the oil-befouled beaches of Puerto Rico, from the now threatened waters of Lake Baikal in Siberia to the choking, polluted air above New York and a hundred other major cities around the globe, humanity is threatened by the unintended consequences of its own ingenuity.

The reckless, unheeding misuse of technology and the refusal to respect ecological values may make earth an uninhabitable environment. As President Johnson observed in his message to Congress last week, "conservation's concern now is not only for man's enjoyment—but for man's survival."

The issues are worldwide but, until the concern is also worldwide, each nation must act to save itself and try to conserve what it can of the human habitat. The United States, one of the most prodigal offenders, is also one of the leaders in the belated effort to bring technologies and resources into a humane balance. That is what conservation is all about.

No recent Administration has accomplished more for conservation than President Johnson's has over the past four years. In part, the President and Secretary of the Interior Udall have made good on a generation of agitation and education. They have also provided strong leadership and some fresh initiative on their own.

The latest message is in the nature of an interim report, reviewing old problems and calling attention to some that are new. Its greatest merit is its comprehensiveness; it brings together many diverse but interrelated environmental issues.

Three of Mr. Johnson's recommendations are particularly promising. He proposes giving the Secretary of the Interior authority to regulate the viciously destructive strip-mining industry. If the states do not devise adequate controls within two years—as Kentucky already has done—the Secretary could impose Federal standards.

Similarly the President asks that the Secretary of Health, Education and Welfare be empowered to develop and enforce standards covering chemical as well as biological contaminants of drinking water since a recent study indicates that nearly one-third of the nation's public water systems may not be pure.

And to combat the growing danger to the world's oceans and beaches from tankers which spill oil, Mr. Johnson seeks to create an economic incentive for better management. Shipowners would be required by law to reimburse the Federal Government for the full cost of cleaning up oil pollution.

The exciting ideas about long-range planning set forth in last year's report on the Potomac River Valley are carried forward in the President's recommendation that Congress declare the Potomac a "national river" and provide coordinated types of zoning in the valley.

President Johnson submits seven areas for inclusion in the wilderness system and renews his request for several valuable pieces of legislation, some of them long in the Congressional mill, to establish a network of scenic hiking trails, protect certain wild and scenic rivers, revive the highway beautification program, replenish the Land and Water Conservation Fund and create national parks in the redwoods and the North Cascades.

If he properly understands his relationship to his environment and has the will and self-discipline to do so, man can be master rather than victim of his own economic and technological forces. The President's message sets forth the minimum measures needed for what must be an unremitting effort.

GUNNAR MYRDAL ON PLANNING THE FUTURE SOCIETY

Mr. HARTKE. Mr. President, Gunnar Myrdal, the Swedish sociologist who has spent so much time in studying the American scene and writing about it, on October 3 of last year addressed the National Consultation on the Future Environment of a Democracy at a meeting here in Washington dealing with the next 50 years. The consultation and Dr. Myrdal's address were under auspices of the American Institute of Planners.

I have now received a copy of the text of Mr. Myrdal's speech together with his consent to have it included in the CONGRESSIONAL RECORD.

Mr. President, I ask unanimous consent that this may be done.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

THE NECESSITY AND DIFFICULTY OF PLANNING THE FUTURE SOCIETY

(Address by Gunnar Myrdal, October 3, 1967, Washington, D.C., to the National Consultation on the Future Environment of a Democracy: the Next 50 Years, 1967–2017, called by the American Institute of Planners)

I

Before I begin, I feel I must "define the situation" of my speaking to you at this occasion.

By accidents of environment and inclination, I had in my youth drunk deeply of the political optimism of Enlightenment. As a Swede I had been spared, even more completely than the average young American, from personal experiences of the horrors of war. The Great War, as the first holocaust was then called to demarcate its uniqueness, was in Sweden as in the rest of the world assumed never to be repeated. Also, the colonial power structure still held the larger part of mankind outside the intense interest of a young man in a Western non-colonial country, except for romanticizing literature and static social anthropology, picturing their societies in rest. The population explosion in the backward regions—as that part of the world was then called—had not yet occurred; and nationalist liberation movements and cravings for development were for the most part conspicuous by their absence or their utter inconsequentiality.

My experience in life as a social scientist and a social reformer has thereafter taken me far away from the simple trust in an easy and rapid advance through planning towards Utopia, which was my spiritual heritage. And the world has changed greatly, on the whole in the direction of making planning and reform ever more difficult. I do not believe I have become cynical. I stick to the ideals from Enlightenment as firmly as ever. But I am less hopeful about their early realization or even about the feasibility of an approach to it.

As far as ideals and goals are concerned I am thus very much at one with the planners who have arranged this conference. From the comprehensive documentation prepared for the conference I find that you firmly adhere to the Enlightenment ideals, as they early in this nation's history become articulated in the moral code which I once called the American Creed. It was enshrined in the founding documents of the new republic and has continually served as the nation's conscience. It is thus quite in line with this glorious American tradition that one of the stated purposes of the conference is to spell out this philosophy so that it can serve as a basis for planning policies and programs.

But I am afraid that I have now got a sharper eye for the difficulties arising against giving reality to the goals you and I have in common. I have been a planner all my life and will remain so. But I have increasingly been impressed by the staggering obstacles to overcome. I therefore feel a little out of place at a conference aimed at popularizing planning. As Mr. William R. Ewald, Jr., your program chairman, can testify, I have tried to escape this duty. Since I am nevertheless here this morning, I have to rely upon the assumption that you have enough of what George Kennan once called "the great American capacity for enthusiasm and self-hypnosis" not to become discouraged by the difficulties I will find it my intellectual duty to point out, so that in facing these difficulties you instead will perhaps feel a greater urge to overcome them.

II

About the necessity of planning I can be brief. Foresight, and planning action to improve the outcome of the development that we foresee, particularly action to avert dangers ahead, is the essence of whatever rationality there is in human life. What we mean by planning, however—and what all those in America who are allergic to planning also mean—is a determined effort, through our democratic institutions for collective decisions, to make very much more intensive, comprehensive, and long-range forecasts of future trends than have been customary, and thereafter to formulate and execute a system of coordinated policies framed to have the effect of bending the foreseen trends toward realizing our ideals, spelled out in advance as definite goals for planning.

In passing I might be permitted to stress that the choice to have a much more forceful system of planning in America would not imply the necessity of more detailed control and a larger bureaucracy. Without in this connection dwelling further on this point, I want only to state that if this country had more successful planning, this would instead free the citizens from a lot of irritating public intervention of which there is an astonishing amount in the United States. Mostly it is a consequence of having too little planning.[1]

III

The almost total absence of planning is, of course, particularly flagrant in regard to international relations. In my lifetime the world has drifted into two world wars, planned by no one; we might now be on the unchartered course towards a third and more final world war, in which, incidentally, the United States will not, as in the earlier ones, escape destruction and the slaughter of civilians.

In this precarious situation the world is today spending as much or more on minor wars and, in particular, war preparations, as the sum total of the national incomes in all the underdeveloped countries.[2] The protracted attempts to negotiate an international agreement on disarmament, or at least a decrease of armament, have been for all practical purposes a failure. The preparations for war through massing of armaments have steadily increased and are increasing today. What all countries are trying to do for their own security increases the danger for all.

Every planner must also feel intensely anxious when contemplating the trends in the great majority of mankind who live in the underdeveloped countries. Their present situation has for the most part its historical background in the collapse of the colonial power system which spread as a totally unplanned avalanche after the Second World War. Every true planner must be expected to give a nostalgic thought to a pasesd opportunity: how different things might have developed if the rich countries in the beginning of this century had seen the writing on the wall and set out to prepare the colonial peoples for the responsibilities of independence.

As things have come to pass, the income gap between the rich and the poor countries is rapidly widening as indeed it has for a century and more. Their economic development has in recent years even slackened. The population explosion that in most of these countries has been the only major social and economic change, combined with a too slow increase in agricultural yields, is now raising the specter of a world hunger crisis.

While this is happening in the poor countries, the inflow of capital from the rich countries—what is commonly described as "aid"—has tended to stagnate. As a percentage of their national output it has decreased by a quarter. The "quality" of aid has also fallen, because more and more is tied to exports from the donor countries. Also a much larger share of the capital flow is now in the form of credits instead of grants, rapidly and steadily raising the burden of debt-service to be paid out of the poor countries' meager export returns. Meanwhile, the rich countries are dawdling in giving the poor countries improved export opportunities.

There is a race angle to the relation between rich and poor countries, though most of us succeed in remaining unaware of it. All the rich nations are white or predominantly white, while almost all poor nations are colored. In the world as a whole, most people are colored and poor, while the minority of people who are well off are mostly white. What I fear more than anything else is the infusion of the race issue in the international class struggle. A sign that should make us aware of that danger is that so often at meetings of representatives from the poor countries, in the resolution adopted against "colonialism" and "imperialism" we also find the word "racialism" as something they protest against.

In a world development dominated by the major issues I have tried to characterize, acute conflicts explode continually, as, for instance, most recently the war in the Middle East. When things go wrong and a settlement is not reached, it has become customary to complain about the "failure" of the international organizations, in particular the United Nations. These complaints are, in my opinion, misdirected. The United Nations is not a world government, and, if my world federalist friends will forgive me, will not become one in the now foreseeable future. It is nothing more than an agreed instrument for national diplomacy, which does not mean that it is not important. The "failures" complained about are failures of the member states to reach agreements.[3]

Such failures on the part of the national governments are not restricted to the type of major issues I have highlighted. Every conscientious and devoted member of the international secretariats can, from his own experience, point to any number of big and small issues where it would have been to the great advantage of all parties to reach a compromise agreement, though they did not do it.

National governments are primitively selfish and obstinate—penny wise and pound foolish—and taking positions between which no compromise is possible; and in so doing they surely have their nations behind them. As chief of one international secretariat for ten years, I could give a long series of lectures illustrating that point. And I have often reflected on the fact that big business in their deals show so much more mutual confidence and consideration than governments do, so much more of what could be called "rational generosity".

IV

This implies that we have to move to policies of the national governments in order to reach an understanding of why the world situation is permitted to drift unplanned in the disastrous way at which I have hinted. There is a further important reason why we should move our analysis to the national scene. We must all be aware of how the development of international relations limits and distorts all efforts at planning even in the more narrow national conception of planning.

But let me first keep to the national policies in regard to international issues. The American government is completely free to express general, moving but non-committal declarations about the horrifying dangers involved in the present armament race and of their eagerness to put a stop to it. But when it comes to agreeing on even a small practical step in that direction, they are found anxiously to look over their shoulders.

They must be acutely aware of the fact that at home there are nationalists who suspect that they are letting down their guards and selling out the security of their country. Considering the way people are informed—or rather misinformed—an organized propaganda campaign by a small but determined nationalist group can ferment a wave of popular emotions, as we have repeatedly seen in the postwar era, not least in this country. The powerful military-industrial complex—to use former President Eisenhower's expression—has vested interests in fostering such nationalistic emotions. Though in this address I am primarily interested in what happens in the United States, I might be permitted to express my belief that the situation is not radically different in the Soviet Union. Even they have their generals and suspicious nationalists and probably also their military-industrial complex.

The room for reasonable negotiations becomes thus severely constricted. Moreover, the government and its negotiators become interested in managing its releases, press conferences and briefings so that opposition is not aroused at home. Thus, facts and compromise proposals that do not fit the tactical positions taken by the government under the restrictions caused by consideration of the volatile home front tend to be blotted out; often a totally false picture is given. And your mass media collaborate fairly faithfully. Similar forces are at work in all international issues in all countries. Planning and rational policy positions are, then, not possible.

The long course of events that has in the end led to the present state of large-scale American warfare in Vietnam can be discussed as a legal issue in terms of whether commitments and rules—in the Constitution, the Charter of the United Nations, several earlier international agreements, and more specifically commitments in relation to the Geneva Settlement—have been broken. It can also be analyzed as a moral issue. Finally it can be considered in terms of its many-sided effects in America, in Southeast Asia, and in the rest of the world.

In the present context I will skip all these important material issues and stress only one thing, *viz*, that this war has developed in a completely unplanned way: as a destiny in the sense of the classic drama. No one sharing responsibility for the individual decisions during the almost twenty years that have led up to the present situation meant the development to take the turn it took and have the results it had.

Only by having to be brief am I prevented from going through other aspects of the United States foreign policy now and in recent times to illustrate that it has not been planned with a consideration of the need for rational coordination in view of the long-range effects. Even when a particular policy proved wise and benevolent by itself, other policies pursued at the same time frequently wrenched and twisted it. The government was not carrying out a coordinated and planned foreign policy.

It is a huge problem and to this problem should be directed much more systematic research, why a country's foreign policy is so unplanned, so irrational in its means, and so irresponsible towards declared ideals and goals. One obvious fact is that the democratic system of government does not guarantee that the persons elected and appointed for directing foreign policy have the moral and intellectual qualities that are required. (I do not need to stress the fact that dictatorships give even less of such a guarantee of superior competence.) But at the bottom, the crucial cause is that the general public is ignorant, gullible to nationalistic pressure groups, and often actually seeking in their foreign policy attitudes an outlet for their pent up hostility and aggressiveness which they have often, at least to some extent, learned to suppress in their human relations within their own countries.

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[1] See my little book, *Challenge to Affluence*, Vintage Books, New York, 1956, pp. 91ff. and *Beyond the Welfare State*, Yale University Press, New Haven, 1960, pp. 88–89, 99–102 *et passim*.

[2] I here exclude China, but I attempt to take account of the loss of income by the men who are drafted and the national sacrifices of employing such a large part of the available high-level scientific and technological personnel in unproductive activity.

[3] See my *Realities and Illusions in Regard to Inter-Governmental Organizations, L. T. Hobhouse* Memorial Trust Lecture No. 24, Oxford University Press, London, 1955.

The important lesson for us planners is that if in the foreign policy field planning is insufficient, bad, or totally lacking, the explanation is in the end an unenlightened nation. Any improvement in planning needs as necessary precondition a massive adult education drive, directed towards increasing popular knowledge about the facts and strengthening popular faith towards our goals, our ideals.

V

I have given so much emphasis to the problem of planning in the foreign policy field because whatever failure of planning in this field we permit to exist has grevious consequences for all planning in the national field. We should be well aware of this as we now observe the serious repercussions for national planning of the unplanned American war in Vietnam.

These repercussions are of two types. When our unplanned foreign policy implies a deviation from our ideals, this weakens the volitional basis for national planning also, i.e., popular attachment to our ideals, the goals we need to have firmly established for that planning, too. Wars in particular have a deteriorating moral effect on people. To this is added the economic and financial effects. As the cause is unplanned foreign policies, these effects must regularly imply distortions of both ends and means in the nations' life that make national planning more difficult and less effective.

But even apart from such repercussions from the foreign policy field, it is difficult to see much successful planning on a national scale in the United States. It is a fact that must make the planners disheartened that most of the time we are overwhelmed by events which we should have foreseen and against which we should have taken planned policy measures in order to cope with them more successfully.

One example is the Negro rebellion that had its early forebodings several years ago, and this summer has flared up in violent race riots in so many American cities. Again I am prevented by the limits of this presentation from going into an analysis of this chain of events and the serious challenge to American democracy it has raised. The point I want to stress in this context is that the Negro rebellion very apparently came as a surprise not only to the American people at large but also to those responsible for American policy in this field, which of course should not have been necessary.

From a planner's point of view I might add two more points. There is now in America a certain bewildering uncertainty about to what extent we should rely on police power to suppress the rebellion and to what extent, at the same time, remedial actions should be taken in order to improve the social and economic conditions that are at the root of the rebellion. This uncertainty is the more devastating for rational planning as it reflects ambivalence among the people in regard to the ideals and goals that are the fundamental value premises for planning, without a clarity of which no rational planning is possible.

My second point is the following. Assuming that it is decided that the social and economic malconditions, that are at the root of the Negro rebellion, should be improved, the planning of policy measures for that purpose cannot be restricted rationally to what can be done for the Negroes. I am then further assuming that America is not prepared to plan for going the way of a South African type of apartheid policy which would be in blunt contradiction to American ideals.

Though poverty and all that poverty implies has a major incidence on the Negro population, the poverty stricken Negroes are only a third or a quarter of all the desperately poor in America, depending upon where the line is drawn. Already for technical reasons, improvement of Negro housing can only be planned as a part of a general housing policy. The same is true of schooling and the improvement of all other conditions of life. To be successful in stamping out discrimination against Negroes in the labor market, a precondition is a full employment economy. I feel sure that every planner agrees with these conclusions.

This implies that the problem we are facing and have to solve by national planning is the general poverty problem in America. If we want to be rational we cannot restrict our policy measures to Negroes, even if it is the rebellion of that particular group in the American underclass that has given urgency to the problem. As we all know, even before the Negro rebellion that wider problem had been raised to importance in the national debate by a number of articles and books, statistical investigations, conferences, etc. After preparations made on the initiative of the late President Kennedy during his last year, President Johnson took up the torch and declared courageously and emphatically the "unconditional war against poverty" in order to create "the Great Society."

These declarations were, however, not followed by any attempt to prepare a comprehensive plan for what their realization would imply. But by themselves they are certainly in line with the cherished American ideals of liberty, justice and equality. It is, however, also part of American history and tradition that the majority of Americans who are well off, secure, and comfortably adjusted as participants in the national community have grown accustomed to living on happily without giving much thought to enclaves of people living in misery. To this submerged underclass belong, besides a majority of the Negro population, many Indians, Mexicans, Asians, less completely integrated white immigrant groups, particularly from Eastern and Southern Europe, and also a large number of Old Americans who have remained, or become, "poor whites." This is the reason why this affluent society has also been, and is today, the country of the huge rural and urban slums.

The various policy actions rapidly improvised under the "poverty program" were spuricus, not always well administred, and, as I said, certainly not carefully planned as the inauguration of a long-term national effort to realize the demands of the national ideals. Nevertheless, we planners had every reason to feel in deep sympathy with this "program", as we saw in it, and the public debate around it, the beginning of an intellectual and moral catharsis that would open up the possibilities to gradually proceeding to more long-term, rationally coordinated, effective planning. What has actually happened, however, as we all know, is that under the influence of the large-scale American war in Vietnam, the air has gone out of the "poverty program". Least of all it has opened up the new opportunities for real planning that we could have hoped for.

In the field of national economic planning in the narrow meaning of the term, directed upon stable and fairly rapid growth of the economy, the first half of the present decade represented a remarkable advance. The so-called Keynesian policy prescriptions were finally accepted fairly commonly even in the United States, and even in business circles—and not least there. It implied the overcoming of many superstitious ideas related to budget balancing and gold. This should represent more permanent alterations of public opinion making rational planning more feasible even in the future.

Unfortunately, while we made great advances in getting the need for measures aimed at stimulating a relatively stagnant economy accepted, we did not have the same success in impressing the necessity of preventing the economy from running into an inflationary development. Again the Vietnam war played havoc with national planning.

Moreover, one cannot rationally just want economic growth. Planning must raise the question: growth of what and for what. The whole long-term "poverty program" should have been included. In such a case, stimulating the economy mainly by lowering taxes would not have been seen to be satisfactory planning.

VI

Among all planners the city planners, who I am sure form a nucleus of experienced planning experts in the American Institute of Planners and at this conference, have for decades had much prestige and have generally escaped the animosity against planning which has been so prevalent in America. In my traveling in this country I have also seen pieces of accomplishments of their science and art of planning that has impressed me, though, as we all know, not all urban "renewal" and "development" has had healthy overall effects.

But by calling this national consultation you have aimed at something much more ambitious, *viz.* national planning for the "creative development of our environment, our society and our people over the next fifty years", and demanded the articulation of national goals and of policies and programs to implement the philosophy implied in these goals. And in asking a man like me to be present and to speak, you have underlined this much more ambitious conception of the planning we need.

As I said, I am impressed by many of the examples of city planning I have come across. But when I think of the metropolitan areas as total entities and the people living there as part of the whole nation, it is less possible to feel that we have made much progress, except on a small scale and in individual cases. Under the pressure of the masses of poor people moving into the cities, while the better off people are moving out, the inner core of many big cities in the United States have been continuously deteriorating and are deteriorating today, as we all know. This is true of all aspects of human life within their confines. In spite of the efforts of often devoted and highly competent officials, the schools, for example, are on the average probably not improving much and are in many places becoming worse. The same is true about housing and everything else.

About the planning problem of what should be done to reverse this trend, we know a lot of things in a general way. We know that the development of all kinds of means of transportation will have to be radically redirected. A tremendous construction and reconstruction problem must be solved. Indeed the whole material frame of life has to be rebuilt, including houses, streets, parks and playgrounds, public building facilities of all sorts, etc.

As I already mentioned, rational policies cannot be confined to improve conditions for one group of poor people as, for instance, Negroes, but must be given a much more general scope. We know, moreover, that the toughest problem will be to rehabilitate the human inside of the slums, to lift the people out of cultural impoverishment, what I used to call their slum-mindedness.

VII

In this very brief reference to the planning problem of improving our urban environment, let me only touch upon the financial issues involved. With the unplanned development we have behind us, and the situation that has become the result of that unplanned development, it is in the logic of things that the administrative and fiscal divisions must be altered. In the typical case they now split off the inner city, inhabited mostly by poor people, from the suburbs where the better off live.

Even after the creation of more functional, and in the normal case, bigger, administrative units, their systems of taxation like those of the states must be reformed to permit larger taxation intakes. And even after such administrative and fiscal reforms, the federal government must stand for much larger financial contributions. When broadening the fiscal basis for policy in these ways, standards of schooling and everything else must become unified and enforced.

I don't need to do more than to mention that all such reforms meet the resistance of broadly based, powerful vested interests. And this, of course, is the explanation why so little in this direction has been accomplished and why the inner cities have been left to deteriorate or, when in individual cases there has been improvement, this has been so partial and so slow.

Added together, the financial costs to the nation of rebuilding the cities and rehabilitating the slum populations must on any account amount to huge sums. I have seen no detailed plans on a national scale for what needs to be done to salvage American cities, and no summing up of what it would cost in financial terms to eradicate the slums and rehabilitate the slum dwellers. But such calculations should be made; they are needed for the gradual education of the American people to the magnitude of the task. And I would permit myself the observation that when at this conference you take up the national problem of what America should do to "cause a creative development of our environment, our society, and our people", this implies a commitment to think in these broad terms and to make these calculations.

From my general knowledge of the proportions in the American economy, I draw the conclusion that the costs would amount to trillions of dollars. And a reliable plan to eradicate the slums and rehabilitate the slum dwellers will, to be at all realistic, even in the best case, have to reckon in terms of at least a generation.

I draw the further conclusion that in this light the common idea that America is an immensely rich and affluent country is very much an exaggeration. American affluence is heavily mortgaged. America carries a tremendous burden of debt to its poor people. That this debt must be paid is not only a wish of the do-gooders. Not paying it implies the risk for the social order and for democracy as we have known it.

This is the reason why this common idea of the immense richness of America to me has the serious implication that it is built on the assumption that not very much should be done to pay this debt. It is true that I feel confident that no investment is more remunerative than this "investment in man", to use a popular term. But it is a long-term investment, and will in the short term require very considerable sacrifices of the American majority of people who are well off. To spell this out, openly and honestly, must be part of your request for national planning for a "creative development of our environment, our society and our people".

What you as planners on a national scale are up to, becomes then a duty to urge a change in priorities when considering public expenditure. I agree with your former President Eisenhower and many others, that the United States should not afford to spend billions of dollars in preparing for a flight to the moon when there is so much to improve here on our earth, not least in the United States itself. It may be that the Soviet Union feels they need to do it in order to increase their international image; the United States should be strong enough to feel that it does not need to spend its funds on such unproductive adventures.

What is more serious is the fact that Congress is much more willing to spend money on wars and war preparations than on needed improvements at home—not to speak of what we should now do in order to aid the underdeveloped countries. For us who see the necessity of doing within the near future very great things, implying huge expenditures, for turning the development of our urban life into an approach to a more wholesome one, it must be shocking to see how much easier it is to get appropriations for war and war preparations several times bigger than we would need to make a modest but effective start of a planned development of what in the program for this conference has been called "a creative development of our environment, our society and our people".

The even more serious fact is, however, that Congress apparently reflects how the American electorate feel toward this question of national priorities. The fact that a majority of Americans are fairly well off and do not feel the pinch of the misery of the slum dwellers—except as a strange and unpleasant element in the surrounding to which they just want to close their minds—makes understandable this popular disinterest in what the organizers of this conference have explained they mean with national planning.

Drawing this line of mental isolation becomes the easier in America because, for reasons which I cannot develop in my short address today, the lower strata in the American society have remained so inarticulate. It is visible in their low rate of participation in elections, both local and national, when they are not mobilized and exploited by the political machines, and also in the weakness of the trade union movement in America, which hardly embraces more than a quarter of the workers. Speaking of the submerged underclass I have called them the world's least revolutionary proletariat. This passivity and non-involvement of the American underclass is not without responsibility for the fact that policies of various kinds—agricultural policy, taxation policy, social security policies and even the statistics on unemployment—show a strange bias against the interests of the poorest.

The Negro rebellion implies now an exception for one group in the American underclass. But for many reasons, which I could develop at some length, it has not triggered off a unified and progressive movement of all the underprivileged, but may, at least in the short run, split them even more in mutual hostility and move also many in the comfortable majority group to even less understanding for the poor.

VIII

This conference is based upon the conception that the ideals and goals for planning should be spelled out in clear terms. With this I cordially agree, and I agree also with the view so transparent in all the preparations for the conference that we don't need to go far in searching for them as they are the cherished American ideals of liberty, equality of opportunity, and justice.

The main practical conclusion for my further analysis of the problem is then, that the first condition for planning in a democracy like the United States is to reach the people and enlighten them in regard to both the social and economic facts and to the policy conclusions to be drawn from the ideals and the facts. Without success on this popular level all planning becomes nothing more than an intellectual exercise among a small sect of devoted planners, who will, moreover, remain under the constant temptation to compromise their planning in order to have something accomplished, however inadequate and perverted from the point of view of their professional program and the real needs of the nation.

Having reached that conclusion, I must finally register my dissatisfaction with a trend among economists and social scientists generally to abandon the great tradition, adhered to through generations by even the greatest scholars, namely to spare the time from their scientific work to speak to the people in simple terms that laymen can understand. They are increasingly addressing only each other. This trend to false "scientism," this forgoing of our responsibility for the formation of public opinion, again opens up a huge and complex problem which in this brief address I have merely to register as of crucial importance for whatever reality can be given to the type of national planning which this conference is about, according to its program.

Summing up, I see great difficulties facing the planner when he lifts his ambitions to plan for the nation, not to say for the world. In some respects, the difficulties are greater in the United States than in some other countries among the rich Western countries. As the difficulties are real, we had better face them squarely. To do so is a primary condition for overcoming them. Illusions are always dangerous, the opportunistic illusions more dangerous than others.

It would be contrary to everything I have stood for in life to discourage planning. But planning should not be attempted in an airy optimistic mood. It must imply strivings against heavy odds. In the national as in the international field, what we need today is not a deceptive hopefulness that success comes easy, but the will to grapple with staggering difficulties. We need not the courage of illusory optimism but the courage of almost desperation.

RIOT IN OMAHA

Mr. CURTIS. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial published in the Omaha World-Herald of March 6, 1968. The editorial concerns the appearance of former Gov. George Wallace in Omaha and the riot that followed. If anyone has challenged the facts recited in the editorial, it has not come to my attention. The editorial sets forth certain principles that all Americans might well consider.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

A NIGHT TO REGRET

Before his personal appearance at Omaha City Auditorium, George Wallace had accomplished what he and his supporters had come to do.

They had complied with Nebraska law in forming a new political party and had thus assured, if the signatures are valid, that Mr. Wallace's name will be on the Nebraska Presidential ballot in November.

But that was not the important event of Monday night.

That event came when the escalation of anti-Wallace hatred and overt acts of harassment had reached a peak. Police massed in front of the speaker's stand were no longer able to protect Mr. Wallace from the shouting mob.

One of the protesters swung on a policeman. It was an action visible to hundreds. The police detail, coolly and with professional skill, formed a wedge, moved against the mob, sent its members running down the aisle where they were in brief and bloody combat with chair-swinging Wallace supporters.

Within two or three minutes it was over. The intensive riot control training of the officers had paid off in a crisis. They were neither hesitant nor did they over-react, and their conduct was the one bright spot on what must be recorded as an evening Omaha will long regret.

The tensions which developed then and in the hours since, the vandalism on the Near North Side, the death of a 16-year-old, the closing of a school—all might have been prevented if a small group of Omahans, a minute fraction of the Negro population of Omaha, and an even smaller group of white allies, had chosen to let George Wallace and his supporters exercise their constitutional rights of free speech and free assembly.

We make no defense of George Wallace's views. He has a record of racism. But racists have rights, including the right to run for President. And Wallace's followers have the right to assemble peacefully, listen to and cheer their man, and to qualify him for the Nebraska Presidential ballot.

This right the anti-Wallace demonstrators tried to deny to Mr. Wallace and his followers. Charged to an emotional pitch by singing, chanting and shouting, the demonstrators sought to disrupt the meeting while the Wallace people tried to ignore the "distractions," as Mr. Wallace called them, and conduct a convention.

On this particular evening, at least, the members of the Presidential Commission on Civil Disorders were dreadfully wrong: It was not the white racists who invited disorder. It was black racists and their white allies, including several nuns and members of the clergy.

It would be deplorable if the excesses of those who hate George Wallace helped him to pile up a sizable vote in Nebraska, and perhaps elsewhere, but it is altogether possible that these excesses can make him a formidable candidate and perhaps give him the balance of power in a close election.

Meanwhile, Omaha has to live with the legacy of Monday night. Omahans of good will are obliged to keep on fighting for open housing and better jobs for Negroes because such measures are right and because the tens of thousands of law-abiding Negroes should not be penalized for the excesses of the few.

But the fight is made much harder. The reservoirs of racial good will are drained by such excesses.

And the ordinary citizen is aware that come what may, law and order and the agencies which enforce them are suddenly of prime importance in an increasingly dangerous time.

WISCONSIN AFL–CIO COMMENDS RALPH NADER

Mr. NELSON. Mr. President, at a recent meeting the executive board of the Wisconsin State AFL–CIO adopted a resolution commending Ralph Nader "for his untiring, unselfish and devoted efforts to gain basic rights and protections for the American consumer" and acknowledging "the great debt of its members to Ralph Nader for his invaluable and unique services and efforts on behalf of all Americans."

I want to add my vote in favor of this resolution. And if I may presume to speak on behalf of consumers everywhere, I want to extend to Mr. Nader acknowledgment of their great debt for his efforts.

I ask unanimous consent to have a copy of the resolution printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION ADOPTED BY THE WISCONSIN STATE AFL–CIO COMMENDING RALPH NADER

Whereas Ralph Nader has carried on long, exhausting and difficult campaigns to gain basic protections for the American consumer leading to important federal legislation in such areas as automobile safety and meat inspection; and

Whereas Ralph Nader has given of himself unstintingly to further programs of X-ray control, pipeline safety and other basic safeguards for the buying public; and

Whereas Ralph Nader's efforts have encouraged others in government and public service to join in seeking truth-in-lending, truth-in-advertising, and truth-in-credit measures, controls over flammable products and mail-order selling, and other vital reforms which will assure the buyer of fair and honest treatment; and

Whereas Ralph Nader has become a symbol and mainspring of a reborn consumer protection movement in America; and

Whereas Ralph Nader has carried on all these activities singlehandedly, without compensation, relying wholly on his personal resources to sustain his investigations, writings and campaigns on behalf of every American consumer; now therefore be it

Resolved That the Wisconsin State AFL–CIO commend Ralph Nader for his untiring, unselfish and devoted efforts to gain basic rights and protections for the American consumer, and acknowledge the great debt of its members to Ralph Nader for his invaluable and unique services and efforts on behalf of all Americans.

THE LIFE AND SERVICE OF THE LATE JOSEPH W. MARTIN, JR., A REPRESENTATIVE FROM THE STATE OF MASSACHUSETTS

Mr. CURTIS. Mr. President, I wish to pay tribute to one of America's great men, whose earthly service was brought to an end within the last few days. The Honorable Joseph W. Martin, Jr., had attained the age of 83. His contributions in life cannot be measured by the 4 score and 3 years that he lived. His contributions will forever stand out in the annals of history.

Joe, as he was affectionately known, was born in North Attleboro, Mass., on November 3, 1883. He was the son of a blacksmith. His formal schooling did not include a college education, yet by thrift and self-denial he provided a college education for other members of his family.

Joe deserves a place in history not just because of the offices he held. He served in the Congress of the United States for 41 years. For 4 years he was Speaker of the House of Representatives, which from the standpoint of power is next to the highest office in the land. He served as chairman of the Republican National Convention at many successive conventions. He served as national chairman for the Republican Party. He also served in the State legislature, as a presidential elector, and in many other capacities.

As a minority leader, Joe Martin for many years directly influenced the course of our history. It was 30 years ago this fall that I was elected to the House of Representatives. Joe Martin was then chairman of the Republican congressional campaign committee. As such, he was very helpful to me. I cast my first vote in Congress for Joe Martin for Speaker of the House of Representatives. We were in the minority, and while he did not become Speaker, the action of the Republican Party on that day made Joe Martin our leader. For many years he was an effective force for constitutional government, responsibility in spending and taxes, defense of the country, and the preservation of our two-party system.

Joe loved his country. His country always came first. Joe likewise loved the Republican Party, yet no Republican was more respected by the Democrat Members of Congress and their leaders than was Joe Martin. He fought hard and, although outnumbered, he won many a battle. As chairman of the Republican congressional campaign committee in 1938, he directed the greatest upsurge that the Republican Party has ever experienced in all its history. More new Republican seats were gained in that election than in any election before or since.

Joe Martin was not only friendly and fair, but he held a broad view, and he was understanding. He did not cast his lot on the basis of where the power was. He was not a tool in the hands of the large delegations. He was fair to all delegations, large and small. Among other things, he held the view that if the Republican Party was to build and to serve, the Representatives from States having small delegations had to share in the assignments to committees of major importance.

I believe I can say without contradiction that because of the direct intervention of Joe Martin, assignments such as the placing on the powerful Committee on Appropriations of Representatives Francis Case, of South Dakota, and Karl Stefan, of Nebraska, were made. I know that I had an opportunity to serve on the much-sought-after Committee on Ways and Means, not because of the voting power of the State of Nebraska in the Committee on Committees, but rather because Joe Martin thought it was the fair thing to do and said so.

Joe Martin was my friend. He was true and loyal. He helped me in many ways. I shall always be grateful and I shall always cherish his memory.

Joe Martin's integrity and his credibility were of the highest order. A promise once made was never forgotten or repudiated.

What I am about to say about Joe Martin may be unknown by others. Joe Martin totally abstained from alcoholic liquors. He abstained because as a little boy he promised his mother that he would not use alcoholic liquors. The years rolled by, and Joe had reached an age where many people have physical checkups at frequent intervals. During the course of such a physical examination Joe was advised that a little liquor, perhaps one drink at the close of the day, would be good for him physically. It bothered him. He did not want to do it. He did not want to violate a solemn commitment that he had made to his mother.

He boarded the train, left Washington, and sought the advice of a specialist in the field of medicine who had demonstrated unusual knowledge and skill in many things, including care of the heart. Joe told him about his promise to his mother and the advice that had been given to him. That distinguished physician proved his greatness and proved his belief that there are more important things in life than to eat and drink by telling Joe Martin to reject the advice of the prior physician and adhere to his commitment that he had made as a little boy to his mother.

So far as I know, Joe Martin never related this experience to anyone other than to my wife and to me, although he may have told others in confidence. We were both friends of his. We both grieve his passing and pay tribute to his memory. I can think of nothing that I could relate that would better show the character of Joseph W. Martin, Jr., the patriot from Massachusetts, than the account that I have just related concerning his steadfast keeping of a promise that he had made.

TRIBUTE TO SENATOR ERNEST F. HOLLINGS OF SOUTH CAROLINA

Mr. BYRD of West Virginia. Mr. President, recently in Columbia, S.C., friends and supporters of Senator ERNEST F. HOLLINGS of South Carolina held an appreciation dinner for the Senator. The dinner turned out to be the most successful event of its kind in the State's history. South Carolinians turned out in unprecedented numbers and they came from every walk of life. During the course of the evening, tribute was paid to Senator HOLLINGS by many distinguished guests and they were the most unusual compliments to be paid a freshman Senator. Of course FRITZ HOLLINGS' record of service to his State dates back 20 years prior to his coming to the Senate. I think some of these remarks concerning the Senator's past achievements might be of interest to the Members of this body. Among the speakers were the Reverend John C. Huss, Mr. Robert R. Coker, and Mr. Robert S. Small. Reverend Huss, a distinguished clergyman, is pastor of the Charleston Heights Baptist Church and is the biographer of the late Senator Olin D. Johnston. Mr. Coker is president of the Coker Pedigreed Seed Co. and a distinguished educator and agriculture scientist. Mr. Small is the president and chief executive officer of Dan River Mills, Inc.

I ask unanimous consent that these remarks be printed in the RECORD.

There being no objection the remarks were ordered to be printed in the RECORD, as follows:

THE HOLLINGS CONTRIBUTION TO SOUTH CAROLINA'S AGRICULTURE

(By Robert R. Coker)

It is a great pleasure tonight to be able to say a few words about my friend Fritz Hollings and his service to agriculture in this State.

Recently, the magazine Southern planter, a leading publication on agriculture research and education, printed an editorial praising Fritz for his efforts on behalf of American agriculture. The editorial pointed out that "Senator Hollings has truly placed his perceptive mind at the pulse of American life." I find this significant in two respects.

First, I cannot remember when a freshman Senator has received such nation-wide acclaim for understanding of the complicated problems of agriculture and secondly, Fritz does, in fact, recognize that agriculture is the pulse of American life.

He realizes that the American farmer has the capability of providing food, not only for Americans but for a hungry world, as well, and he has worked hard as Governor and as Senator to increase the export of South Carolina farm products to foreign markets.

As Governor, Fritz worked to develop strong poultry programs—he spearheaded efforts to construct a grain elevator at the State's leading port in Charleston—a subject that resulted in tremendous growth of small grain production, especially soybeans.

And he organized and led Agri-Business tours to the West Coast, South America and Europe to promote trade relations.

Tobacco, the state's leading money crop, also received a great deal of attention from Governor Hollings. He worked with South Carolina's Congressional Delegation and leading tobacco farmers and marketers to gain the initial five days of loose leaf sales for the state. And this year, as a member of the Senate, he was successful in obtaining a tobacco program that extended this loose leaf season and will in the next couple of years result in full season loose leaf sales.

Additionally, as a member of the Senate, he co-authored legislation which would amend the Farmers Home Administration Act to, among other things, remove the annual ceiling on insured loans and raise the aggregate annual limit on grants. This bill has already passed the Senate.

He has also introduced legislation with Senator Sparkman of Alabama to provide additional loan assistance to farmers who have their crops destroyed as a result of a natural disaster—a situation our peach farmers are very familiar with—and legislation directing Secretary Freeman to make a study of ways and means to provide a more effective crops insurance program for farmers.

As a member of the Senate Agriculture and Forestry Committee and its subcommittees on research and general legislation and on forestry, Fritz is in a position to influence virtually every piece of legislation affecting agriculture in this country. And from my observation of his work in the past year and a half he has done just that to the betterment of every farmer in South Carolina.

I believe he shall continue to do this and in the years ahead live up to the sentiment expressed on the floor of the Senate recently by John Stennis, the Senator from Mississippi for the past 21 years, who said of Senator Hollings, "He is a great asset to his State and to the Nation."

A TRIBUTE TO SENATOR ERNEST F. HOLLINGS

(By Robert S. Small)

In the late '50's and early 1960 this state's textile industry and that of the rest of the nation was in serious trouble. We had curtailed production, nearly 400,000 jobs had been lost—and as cheap imports continued to flood our markets, there was no relief in sight.

Fritz, then Governor, acted in his customary fashion and took the bull by the horns. He traveled to Washington and visited with the then Republican Administration. He came away with a promise of action. This "action" took the form of a Section 22 hearing before the Tariff Commission. Fritz testified on the behalf of the South Carolina textile industry in March of 1960 and in June we received our answer—an unequivocable NO.

Fritz Hollings has never been one to take no for an answer. He then turned to the only avenue of appeal—Senator John F. Kennedy, a candidate for the Presidency of the United States.

Senator Kennedy came from a textile state himself and understood the problem of the textile industry, and in particular, the textile worker. He pledged his help if he were elected. Well, as everyone knows he was elected, and he made good his pledge. Shortly after the election he met with Fritz Hollings at his Georgetown home and together they drew up a program to be launched immediately after Kennedy's inauguration.

On February 16, 1961, barely one month after he took office, President Kennedy announced the appointment of a Cabinet committee to do something about the textile problem. On May 2, 1961, with the words, "I believe it is time for action", the now famous 7 Point Textile program came into being.

Fritz Hollings was the principle architect of that program.

Using the 7 Point program we were successful in obtaining the LTA—Long Term Textile Arrangement—governing the importation of cotton textiles, but we were unsuccessful in gaining the same protection for man-mades and woolens. The untimely death of President Kennedy prevented the completion of the program.

When the 1st session of this Congress opened in January 1967, the textile worker's jobs were again in jeopardy. The LTA had been administered loosely for the last few years and imports of man-made and woolen goods were coming in at an unprecedented rate.

Once again Fritz Hollings undertook the task of protecting 200,000 textile jobs. He introduced his now well-known bill, which if enacted would provide the solution to this domesitc crisis. He then proceeded to line up 67 other Senators to co-sponsor the measure—an unheard-of feat for a freshman Senator. He managed to solidify labor, management, and every competing segment of the industry behind his drive for import quotas, and he succeeded in obtaining hearings before the Senate Finance Committee.

Fritz was the star witness at these hearings and testified for over two hours on the scope of not only our problem, but every segment of our economy which is threatened by cheap imports produced at wages that are illegal in this country.

These hearings focused national attention on our problem and in the closing days of the first session of Congress it looked as if the bill would be passed. Only the threat of a filibuster prevented its coming to a vote and ultimate passage.

However, as I mentioned earlier, Fritz is not one to take no for an answer, and he has already renewed his fight in this session of Congress.

I know I speak for the entire industry and its 200,000 workers when I say that we are confident that Fritz will prevail. And I appreciate this opportunity to express our heart-felt thanks for his continued efforts on our behalf.

A POLITICAL CONVERSION

(By Dr. John E. Huss)

You can say what you will about life under a Democratic Administration but when has there ever been a day in which a Baptist minister and his wife could sit down to a hundred dollar a plate dinner?

And how does it happen that a minister has a part on a political program? This is a new day. I do not engage in partisan politics from my pulpit as everyone who knows me is well aware. I believe in Separation of Church and State but I do not believe in Separation of Church and Statesmanship.

Recently, I attended the President's Prayer Breakfast as a guest of my Congressman Mendel Rivers. I heard our President say that during these long nights he prays. It is encouraging to all Americans that this is so.

At the Breakfast I heard a stirring address delivered by General Harold K. Johnson, Chief of Staff, U.S. Army. He pleaded with the distinguished governmental leaders present to "turn to God." The address was a moving experience and was greeted with prolonged applause.

In my religious life I experienced what we Baptists call a conversion, an experience of regeneration. Many times we sing: "I once was lost but now am found, was blind but now I see." In my political life I experienced a political conversion. I once was a Republican (Lost) but I became a Democrat (I See). I am a card carrying Democrat—a Sustaining Member.

My voting record is horrible.

I was one of the odd number of American voters who voted for Alf Landon. When the election was over he had received eight electoral votes. He carried Maine and Vermont. The final score: Roosevelt 523—Landon 8.

After I had become a Democrat my religious bigotry would not allow me to vote for John F. Kennedy. Long since I have regretted my short-sightedness, and I confess before all of you my mistake.

But once John F. Kennedy became my President I supported him. Never in the world's history have men borne the responsibilities of our recent Presidents. But when the final words of history are recorded the names that will never be remembered will be those of men who tried to obstruct what was necessary to be done.

When John F. Kennedy was felled by the assassin's bullets there were few, if any, outside the family, who was more profoundly mourned by his death than I.

In my mind's eye I can recapture the scene in the rotunda when Jacqueline Kennedy and her daughter went to the bier and knelt beside it. The young widow kissed the flag, and her child reached under it to touch her father's coffin.

I hear in my memory muffled drum beats. I recall six gray-white horses, three of them saddleless, bearing the body of our fallen leader from the Capitol to the Cathedral, and from the Cathedral to the grave.

I still hear the haunting notes of "Taps" sounded by the army bugler over the grave in Arlington Cemetery.

One indelible imprint is the sad scene of the mourners leaving the grave. Jacqueline's hand is entwined with a hand of her brother-in-law, Robert.

"Lord, God of Hosts!
Be with us yet,
Lest We Forget!
Lest We Forget!"

Olin D. Johnston, more than any other person was responsible for my change of allegiance from the Republicans to the Democrats. The other evening L. Mendel Rivers said concerning political parties, "I'd rather fight than switch." Senator Johnston's influence and John F. Kennedy's death were such traumatic experiences that I know I will never switch back.

I came to South Carolina in January 1950 as pastor of the Southside Baptist Church, Spartanburg. This was the church that was attended by the Johnstons when they were in Spartanburg, it had been their church through many years.

The Senator became one of the best friends I have ever had. We had opportunity to spend considerable time together. In addition to church activities we ushered in the New York together, alternating our homes. We were entertained in their Washington Home as house guests on numerous occasions. Our older son, John, was employed in the Senator's office four different summers.

One time we took in the World Series together, the Dodgers versus the Yankees. Together we strained with every pitch as Carl Erskine set a new world series strike out record. This record stood until recently. We jumped to our feet and applauded when Roy Campanella, the Dodger catcher, hit a home run. We set at the game and ate, not peanuts and hot dogs, but of all things—bananas, oranges and grapes. There was a fruit stand near the ball park and the Senator loaded up for the game. A big brown bag—full of fruit!

Not once did Olin ever say to me, "John, you ought to become a Democrat." But when I undertook to write a biography of the Senator's life, I had an awakening. In studying the issues in which the Senator was involved I found myself for the most part to be in agreement with his thinking. I found there were clear cut differences between the Republicans and Democrats. Although it took me a long time to make the discovery, I really have been a Democrat in principle all of my voting life.

The Democratic party is flexible enough to include a variety of various opinions.

The Republicans are concerned about sound diplomatic relations with other countries; the Democrats are interested in helping to improve economic conditions that will practically stimulate better relations.

The Republicans are interested in brick and mortar; the Democrats in the quality of people's lives.

The Republicans are interested in the prime interest rate; the Democrats look behind statistics to see what the effect is upon the people.

The Republicans are most interested in the people of privilege; the Democrats are interested in the masses. Demo is the Greek word for people and is the keystone of the Democrats.

The Republicans expect problems to fit in a neat 19th century pidgeon hole; the Democrats know that problems are more complex and handle them accordingly.

If there has ever been a true champion of the common man it was our late Senator. He never lost the feeling of humanitarian kinship with the common people or his beloved South Carolina or of the nation.

Our President, Lyndon B. Johnson, said this of Olin: "He had what is known as the common touch, which means in simple English that he loved and understood his fellowman."

When I came to name my biography I called it, "The Champion of the Common Man." The publishers selected a title of their own, "Senator For the South." I believe my title was the better of the two.

All this I have said to create the background for what needs to be said tonight.

South Carolina has a brand new "Champion of the Common Man" and his name is Senator Ernest F. Hollings. Just as the late Senator Johnston had the proper credentials to get the job done in his day, so does Senator Hollings have the credentials to get the job done today.

Senator Hollings' record as a fledgling senator is one to be envied. He has conscientiously done his work both at Washington and at home. He is a familiar personality on the airlines as he travels from Carolina to Washington, and vice versa.

One of his prized trophies is a golden gavel presented to him for presiding one hundred hours over the Senate. If the time was added since the award, he would be in line for a platinum gavel.

As Senator Johnston once looked out for the interest of the textile workers so Senator Hollings does today. Continually in office will provide him time to demonstrate his sincerity both in his voting record and in the introduction of effective legislation. He has already done enough to earn the gratitude of these workers.

The Senator conscientiously tries to do what he believes is right. Such conduct once prompted Mark Twain to say: "Always do right. This will gratify some people and astonish the rest."

Newspaper readers and television viewers have seen recent pictures of the Senator on his visits to the poverty stricken areas of our State. The Senator's compassionable concern impressed me that we have found a new champion of the poor, the oppressed, the underprivileged, the humble, and the moneyless.

The hope of these people, their only hope, rests in the Democratic party.

We have a wonderful organization in Charleston called the Red Carpet Club. This organization is part of our Trident Chamber of Commerce which has for its treatise: "Nothing we have ever done in the past will ever be good enough again." About two hundred men with a sprinkling of women in executive capacities attend the monthly meetings of the Red Carpet Club.

Senator Hollings addressed the Club last fall and I was selected to introduce him. At that time I concluded my remarks by sincerely saying, "As far as I am personally concerned I hope we will keep sending Fritz Hollings back to the Senate until he breaks the longevity record set years ago by 'Cotton Ed' Smith."

I repeat that wish tonight!

CONCLUSION OF MORNING BUSINESS

Mr. BYRD of West Virginia. Mr. President, is there further morning business?

The ACTING PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

ELIMINATION OF RESERVE REQUIREMENTS

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The ACTING PRESIDENT pro tempore. Without objection, the Chair lays before the Senate the unfinished business, which the clerk will state.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890.

The Senate resumed the consideration of the bill.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOMINICK. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded in order that I may make a unanimous-consent request.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. DOMINICK. Mr. President, I ask unanimous consent that my legislative assistant, Mr. Clayton Johnson, may be permitted the privilege of the floor during the discussion of the pending bill.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, a similar request. I ask unanimous consent that Mr. Lewis G. Odum, Jr., staff director of the Committee on Banking and Currency, and Mr. Hugh Smith, a staff member of the same committee, may be permitted the privilege of the floor.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, the Senator from Utah [Mr. BENNETT] will be in the Chamber in a moment and I am quite sure that he will ask that Mr. John Evans, a member of the staff of the Committee on Banking and Currency, be given the privilege of the floor. Therefore, on his behalf, I make that unanimous request at this time.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, the Senator from Texas [Mr. TOWER], who is a member of the Committee on Banking and Currency, and very much interested in this legislation, has expressed a wish to have Mr. Charles L. Egenroad, a committee staff member, extended the privilege of the floor. Therefore, on behalf of the Senator from Texas, I make that unanimous-consent request.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, do I understand correctly that the pending business has been laid down?

The ACTING PRESIDENT pro tempore. The Senator from Alabama is correct.

Mr. SPARKMAN. Mr. President, this bill would remove the requirement that Federal Reserve banks maintain reserves in gold certificates of not less than 25 percent of their Federal Reserve notes in circulation. It would also remove the gold-reserve requirement from U.S. notes and Treasury notes of 1890, which amounts to about $156 million.

Gold has had a direct relationship to the currency of the United States since 1792, when Congress provided for the free coinage of both gold and silver. From that time until 1933, gold circulated freely in this country, either as coin or in other forms. Many businesses paid their employees in gold dust. During this period of time, various fixed ratios of gold reserves to outstanding currency were required by law.

When the Federal Reserve System was established in 1913, the Reserve banks were required to maintain a 40-percent gold reserve for their Reserve notes and a 35-percent gold reserve for their deposits. At that time, the United States held less than $2 billion in gold.

In 1933, it was required that all gold be delivered to the Treasury. At that time, gold ceased to circulate in the United States either in the form of coin, bullion, or dust. The Gold Reserve Act of 1934 repealed the requirement that Federal Reserve notes be redeemable in gold.

At the same time, the requirement in the Federal Reserve Act that Federal Reserve banks maintain reserves in gold was changed to allow them to maintain their reserves in gold certificates issued by the Secretary of the Treasury against gold held by the Treasury.

When gold ceased to circulate in this country, it lost any practical relation to the currency. Until that time, the various reserve requirements fulfilled a very practical function—to insure that there would always be enough gold to meet domestic redemption demands. When these redemption demands were no longer allowed, the practical reason for the reserve requirements disappeared.

However, in 1934, Congress realized that Americans were accustomed to gold and most of them still wanted their currency to continue to have some relation to it, even though they were no longer able to possess gold. Congress saw no real reason to remove the gold reserve requirement at that time. Our gold stock was increasing steadily and appeared adequate to meet the reserve requirements and all other needs. Accordingly, the gold certificate reserve requirements were retained although even then it was agreed that they performed no useful function.

In 1935, our gold stock rose to just over $9 billion. This figure reflected the actual physical increase in our supply of gold and the devaluation in 1934 of the dollar from $20.67 an ounce to $35 an ounce, where it has remained ever since. The gold stock rose over the next 14 years until 1949, when it peaked at $24.4 billion.

It was during this overall period of a rising gold supply that Congress first lowered the reserve requirement. It became apparent during the early 1940's that the increase in the gold supply was not keeping up with the rising need for circulating currency. Thus, in 1945, when our gold stock was $20.2 billion, Congress lowered the reserve requirements on Federal Reserve notes and deposits to 25 percent.

In 1965, the reserve requirement for Federal Reserve deposits was relinquished in order to free additional gold to help meet our obligation to redeem the dollar at $35 an ounce and to allow the necessary increase in the amount of Federal Reserve notes in circulation.

Over the past 10 years, the United States has experienced a continuing deficit in its international balance of payments. This deficit has been financed in part by an increase in dollar holdings in free world central banks and in part by the sale of gold at $35 an ounce. As a result our gold supply has been reduced to approximately $12.1 billion. Of this amount, the current gold reserve requirements amount to approximately $10.7 billion.

There are two separate and distinct reasons for removing the gold reserve requirements. Both of these have a direct bearing on the continued health of our economy.

As I pointed out earlier, the gold reserve requirement was implemented at a time when such a measure was necessary to support the free convertibility of the domestic currency into gold. Once this convertibility feature was removed, the practical reason for retaining the gold reserve requirement no longer existed. Its retention in the face of this fact remains an anachronism.

Contrary to what many believe, the 25 percent gold certificate reserve requirement bears no relation to the strength and stability of the dollar. This strength and stability is related to that of the American economy rather than to gold. Our yearly production of goods and services exceeds $800 billion. Our gold supply is just over $12 billion. After a comparison of these two figures, it is easy to decide where the dollar's real strength lies.

The 25 percent gold reserve requirement has proved misleading in another respect. The requirement does not mean that there is a 25 percent gold reserve for our entire supply of money. It is a reserve only for the actual currency in circulation. Circulating currency represents less than 20 percent of our total money supply.

The remainder of the money supply consists of coin and demand deposits, neither of which has any gold backing. The gold required to be held by the United States as a reserve is equal to just over 5 percent of our total money supply, which consists of coin, currency, and demand deposits. If we include time deposits, which are easily convertible to cash or demand deposits, the ratio drops to about 2.8 percent. If we go one step further and consider that the real function of the money supply is to facilitate the distribution of goods and services, then we may include existing consumer credit in the analysis. With the money supply and consumer credit combined, the ratio drops even further to about 2.2 percent.

These ratios alone should be enough to convince most that the retention of the present gold reserve requirement will not serve as a money supply discipline, since they represent such a small percentage of that supply. However, there are other factors in operation which diminish even further the effectiveness of the arguments that the gold reserve requirement serves as a disciplinary force.

These factors center around the authority and operation of the Federal Reserve System. Every commercial bank is required to maintain certain reserves against their deposits. The range within which this reserve must be maintained is set by law. The Federal Reserve Board is authorized to determine specifically the required reserves within that range. Thus, if the Federal Reserve Board reduces the required reserve, each commercial bank is thereby authorized to increase its total deposits. This is generally done by the extension of new credit to borrowers. It has been estimated that by lowering the reserve requirements the Federal Reserve Board could effectively increase the total money supply by about 70 percent, or $94 billion, without any change in existing law. In view of this, it is beyond doubt that the gold reserve requirement is not a real discipline to the money supply.

This country has experienced unprecedented economic growth in recent years. This growth is measured in terms of real goods and services produced and distributed. We must do everything that we can to see that this healthy growth of the economy continues on a sound basis. A growing economy requires a growing money supply to facilitate the distribution of the goods and services produced. This money supply, as I noted earlier, consists of coin, currency, and demand deposits. I have already demonstrated that the Federal Reserve Board, without any change in existing law, is authorized to increase the money supply through the reduction of reserve requirements, thereby causing increased demand deposits. However, the needs for an increasing money supply cannot be met by the expansion of demand deposits alone. It must also have an expanding supply of coin and currency to meet the everyday needs of a growing population in a growing economy.

Our monetary authorities advise that the demand for currency will increase at the rate of about $2 billion per year. Under the present reserve requirements, an additional $500 million in gold will have to be set aside each year to allow our currency supply to expand at the rate dictated by the normal growth of the economy. Industrial gold consumption will continue to equal at least $160 million per year. Thus, if no other circumstances arise, the remaining $1.4 billion of our uncommitted gold will either be committed to meet the reserve requirement or sold for industrial use within less than 2 years.

It is possible, if this happens, that our total money supply could still continue to expand through the device I mentioned earlier—the use of a reduction in commercial bank reserve requirements. However, this would not meet the need for an increase in the currency component of the total money supply. Thus, it is possible that the gold certificate reserve requirement, which now performs no useful function, could exert a detrimental influence to the continued healthy growth of the economy. It is unreasonable and unwarranted to allow such a thing to happen.

Therefore, from the standpoint of the domestic economy, the repeal of the gold reserve requirement will remove the one remaining barrier to a rationally managed monetary system which may be tailored to fit the country's needs, a far more desirable policy than one which is tied to the vagaries of gold production and distribution.

The need for this legislation is more acute in regard to our international situation. Under the provisions of the Bretton Woods agreements, the United States is committed to sell gold to free world central banks at the fixed price of $35 an ounce. As a result, the American dollar has become a major free world reserve asset. It has helped to provide the international liquidity which is essential to the growth of the world economy. Had foreign countries not been willing to hold the dollar as a reserve asset, the growth of the supply of international reserves would have been seriously crippled and would have correspondingly slowed down the growth of the economy. As it continues to grow, the need for international reserve assets will also grow. This means that the American dollar must still command the confidence of foreign governments so that it may continue to fulfill its vital function as an international reserve asset.

The chronic balance-of-payments deficit which the United States has experienced in recent years has caused a steady drain on our gold supply. This fact plus the recent crisis resulting from the British devaluation has resulted in a serious drainage of the gold which is available under existing law to exchange for dollars from foreign central banks. We have assured the free world that they need not fear a devaluation of the dollar and that the dollar will continue to be convertible into gold. We must back up this commitment by freeing all of our gold supply to fulfill the only useful function it now has—to serve as an international reserve asset.

By taking this action we will make available an additional $10.7 billion to back up our commitment to convert dollars to gold at $35 an ounce. This will give immediate assurance to the free world that the dollar is indeed as good as, if not better than, gold, and that they need have no fear in continuing to hold dollars. This will reduce the tendency to convert dollars to gold while the supply holds out, since the supply will have been greatly increased. To pass this bill now will do more than any other single action to bolster the short-range confidence of our foreign friends in the dollar. To refuse to pass legislation now will cast serious doubts on our willingness to fulfill our commitment. The effect of such doubts would be to cause a catastrophe suffered by the whole world. We must not let this happen.

Mr. President, the necessary enactment of this bill will not by any means provide a long-range cure for our international economic problems. In addition to providing short-range confidence in the dollar, it is essential that we implement long-range measures to effect a permanent solution to our balance-of-payments difficulties and to curb domestic inflation. When this is done, there will be no further question of international confidence in the dollar. There will be no need to question it. In the meantime, the enactment of H.R. 14743 will provide an additional measure of confidence that we will defend the dollar and that we will find long-range solutions to our problems.

Mr. President, I believe that the Committee on Banking and Currency held adequate hearings on this measure. The overwhelming preponderance of the evidence—in fact, almost all of the evidence—was in favor of removing the gold cover. The sentiments expressed were along the lines of the presentation I have made.

The committee reported its bill—which is S. 2857—unanimously. Two members of the committee expressed a preference, however, and filed their views as a part of our committee report, for having the cover removed in two steps. In other words, instead of removing the full 25 percent, they suggested the removal of 12½ percent at this time, looking toward the removal of the remainder of the cover at some future date.

But the majority of the committee decided that we ought to go the whole way at this time; and that is the kind of bill which the committee has reported.

It will be noted that, although the committee reported S. 2857, the bill pending before us is H.R. 14743. By way of brief explanation, the House of Representatives in the meantime had passed its bill, which was quite similar to ours. It came over, and the bill was placed on the calendar as H.R. 14743. The only difference between the two bills is a requirement of the House version for notice to the committees every 6 months, by the Treasury Department, as to the situation of the currency and the international balance of payments.

Secretary of the Treasury Fowler has written me a letter in which he has given assurance that the Treasury Department will make such a report every 6 months, regardless of a requirement in the law.

Since the only difference in the two bills was that of requiring the reporting, I felt it was wise to take up the House bill, which is now pending before us, in lieu of the version which the Senate committee actually reported.

I ask unanimous consent that the letter from Secretary Fowler to which I have referred, dated March 6, 1968, be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MARCH 6, 1968.

Hon. JOHN SPARKMAN,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: The Report of the Senate Committee on Banking and Currency concerning removal of the gold reserve requirement (Rept. No. 1007) made one substitute amendment to S. 2857, the bill to eliminate the reserve requirement for Federal Reserve notes and for U.S. notes and Treasury notes of 1890. This amendment would require a formal semi-annual report to Congress on U.S. purchases and sales of gold and on the then current status of U.S. gold stock. This suggestion was made in order to keep the Congress abreast of events which would affect the economy here and abroad.

The Treasury Department is keenly aware of the need to keep the Congress fully informed of the factors affecting gold policy. We are fully agreeable to transmitting the information cited in the proposed amendment to S. 2857; and this letter is to inform you formally that we shall make such information available to the Congress on a semi-annual basis.

This undertaking by Treasury would make unnecessary a specific amendment to accomplish the same objective. I believe that it is vital that the gold cover legislation be enacted as quickly as possible. Procedural delays that might result from amendments to the bill could, at this time, have a seriously adverse effect on the gold and foreign exchange markets.

In light of these risks and the Treasury's undertaking to provide the Congress with the information cited in the amendment to S. 2857, I strongly urge that this amendment be deleted from the bill and that the Senate pass the bill without amendment.

Sincerely yours,

HENRY H. FOWLER.

Mr. BENNETT. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BENNETT. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BENNETT. Mr. President, these are very interesting times as far as our monetary system is concerned. It is less than 3 years ago that we faced this same kind of problem with the silver in our coins.

When that matter was discussed, there were dire predictions of what would happen to the faith of the American people in the coinage system if the silver were removed. By now, that transition has been successfully completed, and we have discovered that it is the faith of the American people in themselves and in their Government that makes the new clad coins completely acceptable in place of the old silver coins.

There are those who have taken advantage of the situation to acquire silver, intending to make a profit out of it. We now face a situation on gold created by people outside the United States who are generating raids on the value of the dollar in order to make a profit if and when gold ceases to be used as a monetary metal or is raised in price while it still retains its use as a monetary metal.

Mr. President, as the ranking minority member of the Committee on Banking and Currency, I felt when we debated the silver problem that this was not a partisan situation, and therefore I supported the Treasury and the chairman of the committee in presenting the problem to the Senate. I feel the same way about the gold situation.

As will be discovered later as I go through my comments, I think the present administration has to be held largely responsible for the conditions which we have to face. However, this is a condition and not a theory. And we have to meet it.

On January 26 on the floor of the Senate I presented in detail my understanding of the technical problems that are involved in the present gold crisis. These have been gone over again by the chairman of the committee, the Senator from Alabama, who has just finished speaking. So today I will not go back into that particular theme. I intend to talk rather about the psychological problems that we face.

Mr. President, no one in the Senate or on the whole committee is more disturbed or unhappy with the decision we must make on the pending bill than I am. I grew up in the West where gold passed as currency right up to the time it was embargoed. The chairman has mentioned the fact that before that time some businesses paid their wages in gold. I was an employee of such a business. This was an accepted pattern. In fact, it took quite a little adjustment to have the employees of our business accept checks instead of the gold that they had previously received as wages. However, the decision involved in approving the pending bill is really not a decision. I think the decision has been made. To use the word "decision" implies that we still have a choice when actually I believe what may seem to be choices are illusions.

We have been brought to this extremity by the accumulative effect of many bad decisions—decisions which put the apparent temporary stimulus of deficits and inflation above the stable values of balanced domestic budgets, and the elimination of deficits in our international balance of payments. To salve our consciences, we even rewrote the economic gospel and tried to pin the label of sin on economic soundness—and cover our economic profligacy with self-made masks labeled "virtue." Like the flower children, we have tried to make our growing addiction to that old narcotic "inflation" seem desirable by calling it the new economics, and now we are facing the first of the inevitable consequences—the potential loss of world confidence in the dollar whose strength we have so blithely undermined for the thrills of "trips" we thought were prosperity. This is the "morning after" and we have been brought face to face with the inevitable price of our fiscal irresponsibility, a threatening loss of international faith in the soundness of the dollar.

One of the things that makes it so hard for us and the American people to face this decision, is that some of us are still clinging to an illusion out of the past and, therefore, have a complete misunderstanding of the monetary function of gold in today's world.

The illusion out of the past is that gold still plays a part in setting the value of our dollar inside the United States. The fact is that it has not done so since 1934 when Franklin D. Roosevelt and a Democratic Congress took away our right, as Americans, to exchange our currency for gold—or even to own gold as a general commodity.

This illusion has been preserved by the myth of "the gold cover," a phrase used to describe the stock of gold we had then and really did not need, either to sustain the purchasing power of the dollar or to meet the then existing or expected international demands. The administration had the gold in 1934 and by officially calling it a reserve for our currency, they thought they could buoy up the faith of the American people in the new managed currency by making them believe there really was still some mysterious relationship between dollars and gold when in reality no effective relationship existed.

When we talk of a dollar as having "strength," we refer, of course, to the stability of its purchasing power. If the so-called gold cover had strength and the dollar as a domestic currency had depended on this gold cover, one would expect to find its domestic purchasing power highest when we had the most gold on hand. Actually, the best proof that I can offer that gold has nothing to do with the domestic purchasing power of the dollar is the record of what happened in the postwar years between 1945 and 1952.

Between 1945 and 1952, our stock of gold rose from $20.2 to $23.2 billion, an increase of 15 percent as an amount approximately double what we have now. Actually in 2 of those years it rose above $24 billion for an increase of more than 20 percent.

However, over the same period the purchasing power of the dollar dropped 32 percent. Because the gold cover could not control inflation then, nor can it now or in the future, the fact that we take it off, as we must, will not by itself change a single price for goods or services here in the United States. The fears that this action will cause runaway inflation are completely groundless. Actually, since we use credit much more than we use currency, the true monetary supply must include bank deposits, and when the total of these is taken into account, the actual existing gold cover as stated by the Senator from Alabama is about 2.8 percent.

The great danger in the present situation is that we will allow the influence of this gold cover myth to blind us to what we have to do to protect the dollar, and our gold, in its only true monetary function, today—namely, the settlement of international balances. This is the area of today's crisis, this is the problem we must solve, and any limitation we put on the use of our available gold for this purpose only weakens our chance to weather the storm.

Before 1934, our domestic monetary system included both gold and paper currency, which were interchangeable. Since the volume of currency exceeded the gold coin, gold was also held as a reserve to insure convertibility. When convertibility was denied, the gold reserve became an anachronism so far as our domestic currency was concerned. Since 1934, its only monetary function has been the settlement of international imbalances.

On July 1, 1944, the International Monetary Fund came into official existence, and its articles of agreement came into force in December 1945, when they were accepted by its member countries. Under those articles we and the other countries agreed to maintain the value of our currencies within plus or minus 1 percent of parity based on gold or the dollar equivalent of gold on July 1, 1944. To maintain this stable relationship, the United States decided to both buy and sell gold freely at that price, since we had most of the world's gold at that time, and thus the dollar became a supplementary reserve unit acceptable to all central banks. With that tie, it also became an alternative to gold in the settlement of international imbalances.

Understandably there is a great reluctance to face the facts of gold, after all these years of reliance on the myth. It is as hard as it would be for our little pal Linus, in the comic strip "Peanuts," to give up his blanket. So, being human, we look for alternatives—partial withdrawals, gimmicks—many of which are very appealing. Unfortunately, none of them will work and many will do more harm than good. I say this, because what we have is a crisis in faith in the dollar internationally, not domestically. The existence or nonexistence of the theoretical gold cover does not affect the domestic dollar in any way. What is involved, however, in this psychological crisis, is the availability of gold to meet our foreign commitments.

Mr. LAUSCHE. Mr. President, will the Senator yield for a question?

Mr. BENNETT. I yield.

Mr. LAUSCHE. The Senator has just stated that the removal of the gold cover will not affect at all the dollar so far as it is domestically concerned. My query is this: Does not the removal of the requirement that not more than four times the dollar value of the gold that we possess shall be printed in paper money create an anchor and remove the danger of printing press money?

Mr. BENNETT. The present reserve requirement does not remove the ability of our money managers to increase the volume of money in our economy, but only the volume of Federal Reserve notes. As you are no doubt aware, present law allows the reserve for these notes to drop below the 25-percent figure.

On January 26, I explained how this can be done and added that my information is that it would happen automatically if gold was required to meet our commitments.

The Federal Reserve is charged by law with the responsibility of regulating the money supply.

As I said earlier, the volume of currency, the currency we handle—this paper we carry in our pockets—is now a comparatively small part of our total money supply.

Congress has the power, under the Constitution, to coin money and regulate the value thereof. We have delegated the operating responsibility for that to the Federal Reserve Board, which is our creature, which reports to us, which is independent of the executive department and its power. We can put restrictions on the Federal Reserve Board and its power to issue money.

Someone has suggested that we should pass a law which would provide that the total money supply should not increase more than 3 percent a year. This I believe is impractical, because we do not live by a calendar that is uniform. We need a great deal more money, for example, at Christmas time than at other times of the year. So the money supply varies within the year.

We have gone from 1934 until now without the ability to redeem dollars with gold and the Federal Reserve has carried this responsibility, and I believe has carried it successfully, thus demonstrating that the removal of the gold cover—which, in my opinion, has been a myth since 1934—has not automatically resulted in the rush to the printing presses and has not increased our money supply at any such catastrophic rate.

I believe we have in existence now the machinery to handle the problem of the required volume of our money supply, and I do not believe this measure will have any such effect, as many people fear.

Mr. LAUSCHE. Do I correctly understand the Senator to say that in addition to the paper currency which is in circulation, other money is in circulation? And I suppose that statement is made on the basis of the deposits in the banks.

Mr. BENNETT. The Senator's understanding is correct.

Mr. LAUSCHE. And in the savings and loan and other institutions.

Mr. BENNETT. Particularly demand deposits in the banks, because the deposits there are subject to being withdrawn on demand. Theoretically, savings and loan deposits are investments. In practice, a man with a savings and loan deposit can get it, but savings and loan deposits are not included generally as part of our money supply.

Mr. LAUSCHE. What is the Senator's understanding of the total quantity of money in circulation—that is, considering the $44 billion in paper dollars and the other circulations that come from deposits in the banks?

Mr. BENNETT. The figures I have, which I put into my speech on January 26, indicated that on January 17, 1968, there were $42 billion of Federal Reserve notes outstanding. So, with other types of currency, probably $44 billion is an accurate figure.

On January 11 of this year, the Federal Reserve reported a money supply figure for January 3, of $183 billion of this $40.4 billion was currency and $142.6 was in demand deposits. Thus about 78 percent of our money supply by this measure is in demand deposits.

Currency would have been about 22 percent of the money supply. If time deposits were added, currency as a percentage of the total would be more like 10 percent.

Mr. SPARKMAN. Mr. President, will the Senator yield briefly for a comment on that point?

Mr. BENNETT. I yield.

Mr. SPARKMAN. Mr. President, there is a table printed in the report, I recall, which gives the ratios, to which I refer the Senator from Ohio. However, there is an element, too, as I stated a few moments ago, and that element is credit. Credit is a big item in our trade and commerce, as the Senator knows. If one were to include credit along with time deposits, demand deposits, and currency, the ratio of gold to the amount of money, credit, and deposits, is only 2.2 percent.

Mr. BENNETT. I shall add another figure at this point. Under the present law, within its present rights, the Federal Reserve Bank could add a minimum of another $94 billion to our monetary supply, and it has not done so. So one can see it is acting with some restraint.

Mr. LAUSCHE. When was the law passed, if the Senator can tell me, which required deposits in the Federal Reserve System to be secured, as I recall, by 25 percent in gold, and the paper currency that was printed to have a support of 25 percent?

Mr. BENNETT. Without going too far back, in 1913 a 40 percent gold reserve was required behind the newly created Federal Reserve notes. In 1945 that requirement was reduced to 25 percent.

Mr. LAUSCHE. Was there a requirement that the demand deposits of banks in the Federal Reserve System be secured by gold earmarked in the quantity of 25 percent?

Mr. BENNETT. Demand deposits?

Mr. LAUSCHE. Were both provisions adopted at the same time?

Mr. BENNETT. That is a technical question to which I do not have the answer.

Mr. LAUSCHE. At least at that time it was thought that an anchor had to be established that would restrain the printing of paper money, and that there should be some assurance that those making demand deposits in the Federal Reserve System would be secured when they sought to withdraw their demand deposits.

Mr. BENNETT. The law did not limit that reserve requirement to gold. It permitted deposits of certain Government bonds and other acceptable assets.

Mr. LAUSCHE. At that time it was thought there should be an anchor and that there should be security for the demand deposits. What has changed since that time?

Mr. BENNETT. We should clearly separate the reserve requirements of 25 percent gold backing which it is proposed we eliminate today from the reserve which member banks of the Federal Reserve System must maintain on demand deposits. This latter reserve requirement is not part of the present legislation. It is presently set by law as a minimum of 10 percent and a maximum of 22 percent for reserve city banks and a minimum of 7 percent and a maximum of 14 percent for country banks. Within these limits, the Federal Reserve Board sets the actual required reserve rate.

Apparently the Senator did not hear the opening part of my statement.

Mr. LAUSCHE. I did not.

Mr. BENNETT. I began by pointing out that the idea that we actually had an effective support of our dollars in terms of gold after 1935 has been a myth all along, because one could not take dollars and get gold for them under any circumstances.

Mr. LAUSCHE. The Senator is correct.

Mr. BENNETT. It was, in my opinion, a psychological move to make people feel better when they were faced with the demand that they give up all their gold and that in the future they could not expect the circulation of gold coins. To make them feel better it was said we would put so much of this aside as a cover, but actually it was not effective because no American, in our domestic economy under any circumstances, had access to that.

Mr. LAUSCHE. From my standpoint, I am in a quandary as to how I am going to vote on this measure. I feel there should be an anchor maintained so that there will be a limitation upon the amount of money that can be printed; but whether we have reached the stage where an international catastrophe will occur unless we honor those who submit to us that they do not want our paper dollars but want gold, throws a different light on the matter.

Mr. BENNETT. These people do not have paper dollars. These people have bonds of the United States and other securities—primarily short-term securities—which pay interest.

Mr. LAUSCHE. Dollar credits.

Mr. BENNETT. Dollar credits.

Mr. LAUSCHE. They can say, "Give me more paper dollars or gold."

Mr. BENNETT. "Give me more securities or gold."

Mr. LAUSCHE. Securities or gold.

Mr. BENNETT. Because these securities pay interest; paper dollars pay no interest.

Mr. LAUSCHE. But they do not want bonds.

Mr. BENNETT. They have $31 billion of them.

Mr. LAUSCHE. They now want to turn them in for gold.

Mr. BENNETT. If they did not want them they would have been here long since fighting for them.

Mr. LAUSCHE. I thank the Senator very much.

Mr. BENNETT. Mr. President, the real issue involved here is the availability of gold to meet our foreign commitments.

In many ways the trouble can be compared to a run on a bank in the old days before the FDIC.

A run on a bank—and I have seen one at close range—is a traumatic experience. It was a traumatic crisis in faith, growing out of the belief that the bank did not have enough liquid assets to pay off all of its depositors—no bank ever has that much liquidity.

This psychological phenomenon always developed in a definite pattern. It began with a few cowards and increased both in size and irrationality, and spread to include an ever-widening number of frightened people whose concern was the result of the infection of those who began the run.

The only counterforces the besieged bank managers had available to use were, and are today, cash, time, and courage. If there seemed to be enough of these three, if no depositor was refused, the fever ran its course, the lines before the paying tellers' windows finally shortened and hesitatingly at first, new lines began to form in front of the receiving teller, as people who had earlier took out their money began to be a little ashamed of themselves. This was the first faint evidence of faith reborn, and, once started, it grew almost as fast as the earlier fears has done. In this kind of a situation, however, faith was not self-generating. It was a response to the demonstrated attitude of faith and courage exhibited by the besieged bankers, as they carried out their earlier decision to meet every claim presented, down to the last dollar. Total commitment.

As I have said, this current crisis displays many of these same elements, and can only be met successively by the same combination, cash, time and courage, except that in this international banking crisis, gold takes the place of the cash element.

Now, let us look at several proposed alternatives which have been suggested in the framework of the run-on-the-bank simile.

One suggested alternative would be to defeat this bill, and leave available for international settlements only the present $1 billion of so-called free gold. This would be like trying to stop a run on a bank by paying out only the cash in the tellers' cages and holding back the cash in the vault. If that had ever happened when the knowledge got out, it would almost create a riot as depositors fought for the few places in line whose lucky holders would be paid off.

Another alternative would be to publicly declare that the bank was going to hold back half of its money to see what happened. The result would be the same as in the first alternative, except that the line of the lucky would be a little longer.

A third suggested variation would raise the price of gold in dollars and; if the price were doubled, it would be as though the depositors were asked to settle their claims for half their actual value.

To many this seems an attractive solution, but before we accept it we must again consider our obligation under the 1944 Bretton Woods agreement. Article 4, section 2 of that agreement says—and I am paraphrasing—that no member country shall buy or sell gold above or below the accepted price except within a margin prescribed by the Monetary Fund.

Under these same articles, we could not make a change in the par value of the dollar vis-a-vis gold by more than 10 percent without prior approval of the Fund. If we made such a change and then overrode that objection, we would be barred from any further use of the services and resources of the Fund. If we continued in our defiance, we could be required to withdraw from the Fund completely. Since we are the largest participant in the Fund and ours is the only true reserve currency to which the others are all tied, if we were to withdraw, the international exchange system would almost surely collapse. In fact, this would probably happen immediately upon our decision to defy the 10-percent limitation.

Another suggested solution would be to withdraw from the gold pool and transfer our gold only to other central banks, thus creating a two-price system for gold with monetary gold at the lower of the two prices. This might work if all central banks agreed and it were possible to seal off the two markets from each other completely, but that would be impossible, unless every country joined us in refusing to sell gold to its nationals. Failing that, foreign central banks would do directly what is now done by the gold pool, and drain first themselves, and then us, by selling gold for $35 to private citizens who could then make a windfall profit by reselling it on the higher, nonmonetary market.

Mr. JAVITS. Mr. President, will the Senator from Utah yield at that point?

Mr. BENNETT. I yield.

Mr. JAVITS. Has the Senator completed his thought now? I do not want to cut off the Senator's thinking on that particular point.

Mr. BENNETT. Yes. I think so.

Mr. JAVITS. As the Senator knows, that is what I advocated——

Mr. BENNETT. I realize that I am walking into a disagreement.

Mr. JAVITS. No, not at all. I admire greatly the Senator's feeling of restraint. I greatly admire the typical honesty of the Senator from Utah. One would have expected him to oppose the bill because of the innate feeling that we should not change the rules of the game in the middle. That would be honorable, too; but the Senator possesses a very able mind and he understands what the situation is that we face. Therefore, I speak with great respect and with no desire to indicate a controversy. I would hope that the Senator would allow me to use this interchange to answer the classic points which he has made.

Mr. BENNETT. Well, if the Senator is going to talk about other things, perhaps it would be better for me to finish my remarks first.

Mr. JAVITS. I am going to talk about this, but I will wait until the Senator has finished his speech.

Mr. BENNETT. I think so, because I go on with other ideas and we could come back to this later.

Mr. JAVITS. I thank the Senator.

Mr. BENNETT. Mr. President, in such a situation, it is axiomatic that since there are more dollars abroad than we have gold with which to redeem them if demanded, any move to lessen the availability of gold will only heighten and speed up the demand for their redemption. And, conversely, the only way to move from the phase of fear which causes withdrawal of gold, to the security of a renewed faith in our dollar which can result in a return of gold, is to use the same forces that once cured bank runs—totally committed availability of cash, time, and courage.

On second thought, maybe character would be a better word than courage because it widens the scale of values in our concept of human resources.

In the case of a run on an ordinary bank, when the bank management has the moral and intellectual strength, which the word character denotes, the bank's biggest customers—as well as other banks—will come to its aid, rather than to join the raiding that could bring it down. Perhaps, in most cases, where the run has failed, this was the greatest factor for success. Certainly this is true in our present gold crisis. The central bankers of other free nations hold, in their reserves, the dollars that can make or break us. It is their faith, not the defeat of the raiding speculators, that can carry us through. It is their dollar assets that will be cut in half if we double the price of gold to profit the speculators. And in a very real sense, it is the extent to which their faith is wavering that has contributed most to our present problem.

Why are they wavering? Because our national fiscal policies have been unwise politically expedient instead of economically sound. Having sown the winds of domestic deficits, we are reaping the whirlwinds of inflation and the damages of this inflation cannot be contained inside national boundaries. While the immediate cause of the gold drain is not the domestic deficit, but the international one, inflation is the disease carrier ravaging both of them.

Our central banker friends have been warning us for years of the need to get our domestic economy in order, so that they could safely hold dollars as a major part of their reserves, and as a currency circulating between themselves. Our only response has been untested restrictions on foreign commerce for the purpose of reducing current balance-of-payments deficits at the expense of endangering long-run benefits. Moreover, as each idea has failed to achieve its purpose, new ones have been ordered until the latest series, including taxes on imports and on travel, have added anger to fear in the minds of our friends and even generated demands for reprisals.

What can we do, if anything, to survive this crisis?

Our gold supply, even with the currency cover removed, is still not enough to meet all theoretical demands. It is approximately one-third.

Constantly recurring gold-buying raids remind us that time may be shorter than we think.

This leaves us with an ultimate challenge to our courage and character.

This bill is the first test of our courage. Have we the courage to commit all the gold needed to redeem our pledge to maintain the stability of the dollar by matching it with gold at $35 per ounce? I believe that if we have, our friends will not make the ultimate demands upon us; but I also believe that if we start to dole it out a few billions at a time, we will generate the psychology, "We had better get it while we can." If we fail this, we foreshadow a much more serious failure—our continuing unwillingness to make the sacrifices necessary to start living within our income as a Federal Government.

Three years ago we bought time with a similar bill, but the time was wasted—yes, even perverted with greater deficits and more rapidly increasing inflation.

So far, I am sorry to say, I see no present evidence that we are doing any better than before; that we are prepared to do more than we have done before.

In the meantime, the raids increase in intensity; and for the immediate future, time, instead of being an asset, becomes an imperative. In such a situation the words of Lady Macbeth ring out with painful clarity:

> If it were done when 'tis done, then 'twere well
> It were done quickly.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. BENNETT. I am happy to yield to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I congratulate the distinguished Senator from Utah for his excellent speech. I do not agree with it in every respect, of course, but I agree with it very generally. I think it is most important that the Senator from Utah has made the speech he has, because I think, of all the Members of this body, no one has commanded greater respect as a man who has an understanding of business, who has an understanding of banking, who has placed great emphasis throughout his life on the soundness of the dollar, the soundness of currency, and the soundness of financial operations generally. It bespeaks the fact that the position taken by the Senator from Utah is the same as that taken by the American Bankers Association, and by Mr. William McChesney Martin, Chairman of the Federal Reserve Board, who has the faith and confidence, well deserved, of American business. It is a sound and thoughtful position.

At the same time, I am glad the Senator from Utah has emphasized that this is a stopgap action; that it does not go to the root of the problem; that we must use the time available to us to make basic corrections in our national budget and international deficit if we are going to achieve the kind of correction which is called for. I think the arguments of the Senator from Utah are unanswerable. It would make no sense to dole out the gold gradually. All it would do would be to encourage a run on gold. It would mean we would lose the gold more rapidly and undermine confidence in the dollar more quickly.

Furthermore, if we are going to keep a commitment that means something, those nations throughout the world that have stood by this country, at great risk, should certainly not be undermined now by a policy of refusing to redeem dollars in gold, paving the way in the minds of people throughout the world that we are going to devalue the dollar.

So I think the position taken—unfortunate but necessary—that we must free this gold, and taken by such a distinguished Member of the Senate, with such an overwhelming recognition as a man of prudence and thoughtfulness, is most important.

I thank the Senator for yielding.

Mr. BENNETT. I very much appreciate those very gracious words of my friend and colleague in the committee.

As I said in the beginning, this is not an easy position for me to take. It would be very easy for me to take the position that we should refuse to meet our commitment to redeem dollars with gold, partly as a partisan criticism of the present administration. But I have tremendous sympathy for the problems of our Secretary of the Treasury and of Chairman Martin, of the Federal Reserve Board. I think this crisis must carry us above partisanship to a realization that this is a national problem, and that we must all face it together, regardless of who is to blame for its existence.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. BENNETT. I am glad to yield to the distinguished Senator from New York.

Mr. JAVITS. First let me say that I am going to support the bill for precisely the same reason for which the Senator from Utah is supporting it—because it is a national problem, and it must be acted on, and because whatever may have been responsible for the decision or lack of it, the Nation comes first. So I, too, shall be for the bill, and I wish to speak with the Senator on that level.

As this is a stopgap—the managers of the bill make that clear; the Secretary of the Treasury does; everybody does—and as he knows we do not have enough gold to pay everybody who would demand it at $35 an ounce, and as, somehow or other, we have got to either deal with a stoppage of the demand through automaticity or a stoppage of the demand by negotiation, would the Senator give us any indication of his thinking or that of the experts who testified before the committee on why they believe that the flow will be stanched if we make gold available, and why they do not believe that anything else needs to be done at this time?

Mr. BENNETT. I do not recall any statements before our committee that making the gold available without any other action would stanch the gold outflow. I believe this is essentially a crisis in faith, and if the Federal Government steps up to the crisis and says we are prepared to pay out gold to the last dollar, to use Chairman Martin's phrase, but we are also prepared to recognize the seriousness of it and we are prepared to do these other things that must be done, I think the flow will be stanched. That is the only way it can be. Otherwise the gold will disappear, and with it our system of settling our international balances, and we will have to develop an entirely new system without gold.

Mr. JAVITS. Is it not a fact that we are in the process of developing a new system right now, beginning with special drawing rights, and our problem is not only a stopgap problem, but a transitional problem?

Mr. BENNETT. It is both, but the program for special drawing rights has not been accepted by the countries involved. Even if these drawing rights are accepted they will act as a supplement rather than a replacement for gold.

Mr. JAVITS. I have no doubt the Senator is right, only because the special drawing rights are not extensive enough in size, but the special drawing rights have a place in the beginning of a new international system. That is why I say it is a stopgap and transitional problem. I will develop this on my own time. The Senator is quite right that, on his time, I should ask questions and not make a speech.

In the testimony of the witnesses, is the Senator at liberty to give us any indication as to what they regarded as the basic minimum gold reserve that must be maintained by the United States at all costs, so that, by my plan or anybody else's plan, they would have to stop giving it out at a given point at $35 an ounce?

Mr. BENNETT. I recall only one witness who mentioned such a figure. He made a plea for retention of $3 billion because, he said, we are going to need it to buy food, or meet some other crisis such as disease or famine.

Mr. JAVITS. At any rate, the authoritative witnesses, for the administration, did not put forth such a figure.

Mr. BENNETT. There was no mention of that by them or any economist or banker before the committee to my recollection.

Mr. JAVITS. May I ask the manager of the bill if there is any representation to the Senate on that score or if the Senate is asked to take on faith that the administration will be prudent somewhere along the line; that it has a stopping point at which it will do something else? I point out that the administration has made the assertion of a $35 an ounce price on many occasions, and the President has pledged, repledged, and quadripledged himself, and so has the Secretary of the Treasury. Nonetheless, the run on gold has continued, not only unabated, but at the highest level, running to $900 million in December alone.

I do not want to force the Senator into any disclosure which is prejudicial to our country. If the Senator will say that he cannot, he cannot; or if he says that he should not, that is a good answer also. But I do think something ought to appear in the RECORD on that score.

Mr. PROXMIRE. Will the Senator from Utah yield?

Mr. BENNETT. Yes. May I just make one comment first?

I think in the speech I made, I made it perfectly clear that I have grave doubts that there has been any indication of determination by the administration to do what has to be done. I am seriously worried about it. But this could come under the heading of partisan criticism, and I shall be very happy to yield on that point to the Senator from Wisconsin, who is a part of the administration.

Mr. PROXMIRE. I thank the Senator from Utah. I am not a part of the administration, I am sure he recognizes.

Mr. BENNETT. Well, whose party controls the administration?

Mr. PROXMIRE. I am a member of the

same party. But there was absolutely no statement on the part of any administration witness that they intend to limit the outflow of gold so that we would not go below $5 billion, $3 billion, or any figure at all.

When we questioned the economic experts, Dr. Friedman, Dr. Kindleberger, and Dr. Schmidt, their general feeling was that if we did exhaust all of our gold, and got to the point where we could no longer pay out gold for dollars, in the frank view of Friedman and Kindleberger, especially, and I think Schmidt made the same point, the effect on the stability of the dollar would not be very great.

They felt it would be feasible, through manipulations of exchange rates, and so forth, to continue on that basis. Dr. Kindleberger said that if we take this step, if we pass this measure, then the prospect of a continuous run on gold, in his judgment, would not be so great that we would exhaust our gold supply within a period of a few years.

Mr. BENNETT. May I add a footnote to that? While I have said we must make our gold available to the last dollar, it is obvious, of course, that I do not recommend that we simply make it available and let it go. We must solve the basic problems that cause a gold outflow, and we must do it long before we get down to the last dollar. I would not want to be interpreted as meaning that I am in favor of letting the last dollar go out; but I think the only way we can create a restoration of the faith needed is to say, "We are going to make it available to you until we have reached the end of our resources." Then I hope that we will have the courage to do what is necessary to maintain a large stock of gold not because it is embargoed but because our dollar is unquestionably sound as the result of sound domestic budgetary and international expenditure policies.

Mr. PROXMIRE. If I may say a word at that point, I do think the general substance of the testimony was that if we did lose all of our gold, from the standpoint of defense, it would not be a serious loss; that while gold is somewhat useful for defense, it is relatively minor and can be purchased. Mr. Martin made the point that the demand for gold for nonmonetary purposes is well below the production of gold—amounting, in fact, to only about a third of the production, in his view. He did not express it as a definite conclusion, but his view seemed to be that it might well be that if gold were no longer used for monetary purposes, the price of gold would drop, because the demand would be less than the supply.

Mr. JAVITS. May I ask just this last question? I am very grateful to my colleague for his typical courtesy in indulging me as much as he has; but as the Senator from Wisconsin says, if we lost all of our gold, the dollar is still sound and will stand up. If, as the committee report says, even the minority views, that the primary value of the dollar does not lie in its gold backing, such as it is, but lies in the productive power and the resources of the United States, then why would it not be desirable to take some measure of further security and do our utmost to conserve the gold that we have, at one and the same time that we pass this bill?

Mr. BENNETT. In my speech, I suggested that if we still have an appreciable amount of gold, $10 billion or $12 billion, and we say, "After next Tuesday morning, we will not pay out any more gold," we shall have arrived at the same point, effectively, as we would have arrived at after we had paid out our last dollar. We shall then have said, "As far as we are concerned, we do not consider gold a part of our monetary system any further."

Mr. JAVITS. There are two points of fact which I should like to clarify with the Senator. Does the Senator agree that, other than the statement of the President and the Secretary of the Treasury, there is no legal obligation on the part of the United States to sell gold for dollars to anybody, including central banks?

Mr. BENNETT. That is true. But again, I think this is a technical situation. We use our gold sales and purchases to meet our dollar parity requirements under the IMF articles of agreement.

Mr. JAVITS. Technically speaking, under the IMF articles, a country can also merit its obligations to support fixed exchange rates through foreign exchange operations. However, the second question I should like to ask the Senator is, in rejecting the proposal—I do not say that unkindly; the Senator has given very important reasons, and I will answer them—but in rejecting the proposal I have made—and incidentally, Senators ascribe to me a power which I do not have, in saying that I "shook the gold markets of the world"—but in any case, in rejecting my proposal, the Senator said the central banks could, through paying their own nationals in gold, in essence have a guerrilla gold market instead of the organized London market. I do not think the Senator was aware of the fact that what I called for, and what I do call for, was a negotiation immediately following suspension of dollar-gold convertibility with individual central banks, which would include not only their status as to how much gold we would allow them to draw, but also the way in which they would deal with their own nationals. In other words, once you have a standstill, under my plan, the negotiation would have to include that, the Senator is absolutely right about that, and I have said that. I just wanted the Senator to understand that I was not improvident.

Mr. BENNETT. No. In my formal remarks, I made the statement that this plan could possibly work if it were agreed to by central bankers and if we could absolutely seal off this leak; but I do not think we can. That is the thing that bothers me. I do not think we have reached the point in our international relations with our friends that every one of them, including the whipping boy of this argument, Mr. de Gaulle, would be perfectly willing to seal the two markets off.

Mr. JAVITS. I thank my friend.

Mr. BENNETT. I appreciate the Senator's comment, because I think it has been helpful in developing the issues before us, and has underscored my point of view.

Mr. President, I yield the floor.

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. TYDINGS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE BALANCE-OF-PAYMENTS CRISIS

Mr. TYDINGS. Mr. President, I am very reluctantly voting today to remove the so-called gold cover from our currency. Unfortunately, we have no choice but to do so if we are to meet our international monetary obligations and keep faith with our international creditors. In the short run, the stability of the dollar necessitates it.

But I am absolutely opposed to the policies which have brought us to this low point in our Nation's economic history. For 20 years we have been spending more abroad every year than we have earned abroad. The flow of dollars into foreign hands has been accelerated by a foreign policy which has made us an unpaid and many times even unwanted policeman to a large part of the world, year after year spending our own dollars to defend prosperous nations with little thanks, no reimbursement, and in some cases increasingly dubious justification.

It is an indisputable fact that our military expenditures abroad—in Europe, Korea, Japan, and Vietnam—are the principal contributors to the chronic balance-of-payments deficit which forces us to act today.

In the last 6 years alone, our military expenditures overseas have created a net payments deficit of $14.3 billion, even after taking into account military equipment sales used to offset these costs. Were it not for such sales, the net overseas military deficit since 1961 would have been $22 billion. This compares with a net U.S. gold loss of $5.8 billion in gold stocks in the same period to cover our payments deficit.

In other words, our uncompensated overseas military operations since 1961 alone have accounted for our entire payments deficit and gold outflow, and, worse, have run at a rate 240 percent greater than the actual foreign redemptions of dollars for gold. If every dollar we have lost through overseas military operations in this decade alone were actually presented for redemption today, our remaining gold stock would be reduced by nearly 70 percent.

I have followed with keen interest the penetrating analysis and strong criticisms of our international monetary policies by the distinguished senior Senator from Missouri [Mr. SYMINGTON] as he has warned that our Nation is rapidly being swept downstream toward the rapids and falls of economic crisis. I subscribe to his thinking.

I think that the administration has got to face the realities of the situation. We cannot permit the balance-of-payments deficit to continue in the next year and the following years as we have done in the past.

If it were not for the fact that I fear the failure to remove the gold cover would make it impossible to meet our obligations in world monetary affairs, I would vote against removing the gold cover.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. PROXMIRE. Mr. President, I am very happy that the Senator from Maryland has given the speech he has given this morning.

The Senator is absolutely right. Unless we recognize that the balance-of-payments problem and the loss-of-gold problem is very directly the result of expenditures for military purposes and equipment, we fail to realize the nature of the problem.

Any conclusion concerning how to cure the problem by some kind of Draconian action here at home to slow down the economy fails to recognize, as the Senator from Maryland has documented so well, the presence of our troops in Europe, Vietnam, and elsewhere in the world which has constituted a very definite and large drain on our resources.

I think that we have to have troops stationed in various parts of the world. However, I do think that we can reduce them in Europe at this time. And those who say that we can meet the problems without recognizing the effect of our international military disposition on our gold are overlooking what is at the heart of the problem in terms of the longrun difficulties and longrun obstacles involved in any kind of longrun policy to correct the problem.

Mr. TYDINGS. Mr. President, in all candor, I cannot see how it is possible to correct the balance-of-payments deficit if we continue to keep the American garrisons of troops overseas in the years ahead that we have overseas today.

I do not feel that the answer lies in the proposal advanced by the Treasury concerning the travel taxes and the beginning of the move toward controlism. I do not believe that is the answer. As a matter of fact, there are certain very dangerous trends contained in some of the proposals by the Treasury.

I am unalterably opposed to controlism. I am unalterably opposed to high tariffs. I am unalterably opposed to protectionism, as was my father when he was a Member of the Senate, and my grandfather before him.

I do not like the entire posture of the Treasury's so-called remedy for this very serious payments situation. I just do not feel that they are facing the facts as they exist.

Mr. PROXMIRE. Mr. President, I think that with very few exceptions the economic profession would agree with the Senator from Maryland.

We had testimony before the Joint Economic Committee by Professor Behrman, of North Carolina University. Professor Behrman has studied this problem for 15 years and is probably the outstanding expert on the effect of investment abroad on the balance-of-payments situation. He testified that the payback on our investment abroad is 2½ years. If we invest $1 million abroad, it takes 2½ years for that investment to come back in returns on the investment.

If we were to restrict our national investment abroad in this year, 3 years from now we would worsen our balance-of-payments situation and not benefit it. So that unless we view these military commitments as strictly short time, unless we feel that our commitments in Vietnam and in Europe are going to be somehow reduced within 2 years, we are adopting the wrong kind of policy because it would be counterproductive as far as our investments abroad are concerned. And certainly the travel situation is similar. Travel is a kind of an export. We are exporting the services of people when they go abroad.

If travel restrictions were imposed, I think we should all understand that other countries would retaliate. This is counterproductive, so that the proposal with reference to this matter, as the Senator from Maryland has made so clear and emphatic this morning, is a problem of coping with the very big military commitments that we have abroad.

Mr. TYDINGS. I believe that the way to approach the problem—and I would be interested in the Senator's comments—is to let the American people have the facts. Let them know exactly what it costs us in gold flow and balance-of-payments deficit to maintain our troop commitment in Europe, Korea, Japan, and Southeast Asia. I believe that the people are entitled to know just exactly what we have set forth in the dialog this morning—the direct connection between the balance-of-payments deficit, the gold flow, and our forces abroad. Our economic posture, the problem of our competitive position in world trade, our chronic payments deficits and shrinking gold reserves—all these are factors which have a very direct relationship to our military policy and our troop commitments abroad.

RECESS

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate stand in recess, subject to the call of the Chair, with the condition that the recess not extend beyond 2 p.m. today.

There being no objection, the Senate (at 1 o'clock and 1 minute p.m.) took a recess subject to the call of the Chair.

The Senate reassembled at 1 o'clock and 59 minutes p.m. when called to order by the Presiding Officer (Mr. BYRD of Virginia in the chair).

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills:

H.R. 2901. An act to designate the Oahe Reservoir on the Missouri River in the States of North Dakota and South Dakota as Lake Oahe; and

H.R. 12555. An act to amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes.

ELIMINATION OF RESERVE REQUIREMENTS

The Senate resumed the consideration of the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890.

PRIVILEGE OF THE FLOOR

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that during the consideration of the pending bill, Jack Lewis, the aide of the distinguished occupant of the chair, the senior Senator from Virginia [Mr. BYRD], be allowed the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, I am indeed fearful, as are a number of people in this country, that our administration will use total gold cover removal as just another temporary stopgap approach toward our very serious economic ills.

The argument is made that, by total removal, we will show to the world that the dollar is still strong and that we will in some way bolster international faith in it. That is a weak argument, indeed, when the effect of total removal is to make available all our gold to what have been described as "foreign raiders."

Mr. President, stopgap measures are not what we need. We need to adopt immediate, meaningful measures to bolster our dollar. Continual deficit domestic and foreign spending must be curtailed. We will do the dollar no favor today with passage of a bill to open up the last of our gold reserves to international speculation. As long as our present fiscal policies are continued, speculation against our dollar will continue and our gold stock will do nothing but continue to decline.

Furthermore, we would be opening up these last gold reserves at the very time when our international and domestic policies do not have the confidence of the world. Dollars will be cashed in for gold in ever-increasing quantities.

An excellent case in point is the plight of Great Britain today. We can easily see that Great Britain's unwise foreign policies, its massive domestic federalism and its general wasteful spending have brought that once most powerful nation on earth to its economic knees. British banking once dominated the world, but no longer.

Mr. President, we must not bring a similar fate upon ourselves. We must do everything we can to rebuild the strength of our dollar. We cannot do that with stopgap measures to pay out more and more gold. We certainly cannot do it with legislation which opens up our last remaining gold supply to international raiders.

The gold cover bill we are considering today is at best a superficial approach. We must take cognizance of the underlying problems causing the decline of our dollar. Today, Mr. President, we must protect at least part of the remaining gold we have. We must not open it all to possible loss.

We will, if we pass this bill today without modification, be again treating the symptoms instead of the disease. We should, instead, be giving careful consideration to reversing our balance-of-payments deficits, not on a short-term basis, but on a long-term basis.

Perhaps before total gold cover removal, our committees should first seek concrete steps toward improving our balance-of-payments situation. By this I mean it seems necessary to look far beyond the administration's stopgap proposals. We must consider the overall picture. We must look at the history of some of our international dealings which have, of course, resulted in an accelerating drain on our gold.

In a 21-year period, 1946 to 1966, the private sector of our economy showed a net surplus in our international balance-of-payments accounts of some $84 billion. The identical 21-year period showed the Government sector with a net deficit of approximately $115 billion.

The stopgap economic proposals which the administration offers us today would save only about $500 million from existing Government programs. The private sector, on the other hand, the administration estimates, will be called upon to save about $2½ billion. This in spite of the fact that the private sector already showed a net surplus, as I have mentioned, of some $84 billion.

Again, I point out Great Britain's experience. From 1958 to 1966, Great Britain had an accumulative surplus of $3.6 billion pounds in balance of payments. This, of course, was earned by the private sector. It is clear that nearly all of this amount came from cash inflow from Great Britain's private investments overseas. Government expenditures during this same period totaled some $5.2 billion pounds, which was just too much for the surplus in the private sector to overcome.

Typical of our administration's proposals today is the curtailment of U.S. investment abroad. This, indeed, is merely a stopgap measure. It is a measure historically proved ineffective.

Let us quickly review the current situation in the gold market and observe how it is approaching panic proportions. Mr. William McChesney Martin, Chairman of the Federal Reserve System, met this weekend with the eight gold pool members in Basel, Switzerland, to reassure them of U.S. intentions and to obtain from them a pledge that the price of gold would be held at $35 an ounce. He obtained this pledge, but the quieting effect of this pledge on the gold market lasted less than 1 full day. Monday morning gold sales fell off in London and the price held firm. However, in Paris the trading Monday was twice that of Friday—$10.8 million traded as compared with $5.8 million on Friday.

Nevertheless, when London's market opened this morning—that is, today—there were total orders calling for 15 tons of gold, while in Paris opening orders have already surpassed those for yesterday. The situation at the moment is fluid, to say the least.

Mr. President, in order that this Nation meet these demands placed on the stability of the dollar and the global monetary system, I am forced to comply in part with the administration's request to "free" additional gold reserves for the purpose of meeting foreign conversions of dollars to gold. The United States currently has available little more than a billion dollars in "free" reserves to meet foreign based demands.

However, I do not support total removal of the gold backing from the dollar. Instead, I propose an alternative measure which would leave the Federal reserve notes currently in circulation a gold backing of 12½ percent.

Such partial removal action would make available an estimated $7 billion in gold to more than adequately meet the current calls on our gold supply. Furthermore, this legislation, with my amendment, would allow the time needed for the administration to take the necessary steps to correct the international and domestic governmental policies that have forced Congress and the Nation into the position we find ourselves today.

This problem did not emerge overnight. The deficits in our international accounts during the last decade have forced the transfer of dollars to foreign hands. These dollars have been redeemed in gold, and gold in turn has been withdrawn from foreign monetary reserves for private hoarding. This series of events has caused our gold reserves to be depleted from a level of $22 billion in 1958 to approximately $12¼ billion early in 1968.

I am fully cognizant that long-range monetary programs take time to be developed and implemented; however, the record indicates that the administration has been most unsuccessful in its attempts to instigate effective corrective measures. We have experienced balance-of-payments deficits since 1958 averaging more than $2½ billion a year; and I might add that the 1967 balance-of-payments deficit was in excess of $3½ billion—the highest since 1960—which clearly indicates that a proper course of action has not yet been implemented.

In summary, Mr. President, let me candidly say that the current administration's demonstrated failure to deal with our gold outflow problem and its demonstrated failure to provide economic stability at home must make this Congress very wary of any panacea proposed at this late date.

I suggest that this administration has been wrong in the past in its economic approaches.

I suggest that it could be wrong again.

I suggest that if it is wrong on this bill, all—I repeat—all—our gold will be gone before we can do anything about it.

I, therefore, suggest that my amendment be adopted as a hedge against the poor economic record of the administration. Let us retain at least this small part of our gold supply. Let this Congress be sure we have preserved at least a chance to reconsider the question of gold removal before all our gold has left these shores.

If we pass the bill for total removal as it is presented, we abdicate any further chance to save our Nation's gold—even that gold necessary for purely national security dealings will be subject to foreign call.

If we first adopt my 12½-percent amendment, we will provide gold to satisfy immediate needs, and we will also preserve some gold and some chance for later congressional review. However, congressional review would be highly unlikely if we remove the gold cover entirely, and we would take away an important exercise of authority by the Congress.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. DOMINICK. Mr. President, as a cosponsor of this amendment I wish to congratulate the Senator on his statement. I completely concur with the statement and the amendment.

However, I wish to emphasize some matters that I think are of maximum importance.

In listening to the debate on the floor today I have heard the administration proposal, which is now before us, referred to as a stopgap measure.

Is it not a fact that if we go this way and remove the gold from our currency requirement, what we are doing is not a stopgap? We are simply abdicating our responsibility to maintain a reserve behind our currency and we are abdicating our congressional oversight responsibility.

Mr. TOWER. In response to the question of the Senator from Colorado, I would say that he is certainly right. We would be abdicating congressional responsibility and congressional oversight.

As the Senator has pointed out, this is one step of a series that perhaps should and must be taken, if this is an important element of the steps.

The most important thing that has destroyed foreign confidence in us over here has not been the gold cover requirement. The thing that has destroyed foreign confidence in us has been our domestic fiscal policy.

Mr. DOMINICK. Mr. President, would the Senator agree with me that at this time this administration shows absolutely no desire either to cut down on our overseas commitments in terms of troops in Europe, or to try to come closer to balancing our domestic budget so we can solve the root problems in the flow of gold?

Mr. TOWER. The Senator is correct. Two steps must be taken: First, the reduction of expenditures abroad. This could be done in the reduction of offshore policy and perhaps foreign aid. The other step would be to get our domestic fiscal house in order.

We could set up a system of priorities, and start at the bottom and cut things out until we arrive at some reasonable degree of a balance, or get in the balanced ball park, so to speak.

Mr. DOMINICK. If we should adopt the Tower-Dominick amendment, how much, actually could we be freeing?

Mr. TOWER. About $7 billion.

Mr. DOMINICK. The Senator from Texas has been a member of the Committee on Banking and Currency for some time. When we made a comparable move on Federal Reserve deposits in 1965, how much did we free up at that time? Does the Senator remember?

Mr. TOWER. I cannot remember the exact figure. There was a 25-percent requirement in 1965 for demand deposits. I do not remember the precise figure. Perhaps the Senator could provide it.

Mr. DOMINICK. If my memory is correct, the figure is about $6 billion.

Mr. TOWER. I think that is in the ball park.

Mr. DOMINICK. I think $1.2 billion at that time would have given us $7.2 billion, which the administration testified in 1965 would take care of the increased amount of currency that would be needed, plus our overseas obligations, for 10 years. As a matter of fact we are right up against the gun now, 2½ years later.

Mr. TOWER. The Senator is absolutely correct. They were wrong in their projection. The administration testified at that time that it was not necessary and stated it was opposed to the removal of the cover because the cover gave an element of confidence.

Mr. DOMINICK. The Senator is correct. I shall get into that matter later, on my own time.

The thing that impresses me in connection with the amendment is that if we adopt it we will have approximately $7.5 million of free gold.

Mr. TOWER. The Senator is correct.

Mr. DOMINICK. So even assuming that the Senator and I were right in 1965, which we proved to be, and the administration was wrong, at the present level this would give us at least 2 years to try to do something about the basic causes of our flow of gold.

Mr. TOWER. I think the Senator is correct. It would be difficult. Despite that, in the next 2 years I would be surprised if this administration could not find a way to do it.

Mr. DOMINICK. I agree that they might find a way to do it.

Going beyond that it does seem to me we have an opportunity here to at least determine what is going to happen in terms of the fiscal policy after the next year if we maintain this deposit reserve as proposed by the amendment.

Mr. TOWER. I think the Senator is correct because the adoption of my amendment would free enough gold to meet the requirements over the period necessary to get our fiscal house in order. I think it would provide us more time than is absolutely necessary to get our fiscal house in order. I think it could be done in 1 year if we dedicate ourselves to doing it.

Mr. DOMINICK. In terms of correct language, a stopgap proposal to give us time to correct the problem would be the Senator's proposal, whereas the administration proposal, if adopted, is a complete abdication of our responsibility and willingness to let our gold flow overseas.

Mr. TOWER. A precise incentive to the administration in dragging its feet in other measures that are necessary.

Mr. DOMINICK. I thank the Senator. I congratulate the Senator for submitting the amendment. I intend to speak on the amendment at length later.

Mr. TOWER. I thank the Senator and I look forward to hearing his remarks.

Mr. JAVITS and Mr. BIBLE addressed the Chair.

Mr. TOWER. Mr. President, I understand the Senator from New York wishes to speak.

Mr. BIBLE. Mr. President, I rise only for the purpose of associating myself with the Senator.

Mr. TOWER. I yield to the Senator from Nevada.

Mr. BIBLE. Mr. President, I associate myself with all that the Senator from Texas has said. I am happy to cosponsor his amendment, which would cut this amount. I am opposed to any cutback as suggested today because of the past history of what we did 3 years ago when we took the gold cover from deposits of Federal Reserve banks. I shall speak on that point at a later time and at length. At this point in the remarks of the Senator, I wanted to show that I associate myself with him and, with his consent, in his amendment to reduce the amount to at least 12.5 percent instead of taking it entirely off.

I thank the Senator.

Mr. TOWER. I thank the Senator from Nevada for his kind remarks. I am delighted to have him associated with me in this matter.

I yield to the Senator from New York.

Mr. JAVITS. Mr. President, first I wish to thank the distinguished Senators from Texas and Colorado for their courtesy in allowing me to speak. I shall not intrude on their graciousness by taking excessive time.

I speak because I am an active party in this situation, as it has been charged in the press and sort of intimated by others that the speech I made in the Chamber about 2 weeks ago on this subject may have had something to do with the problems of the drain on the so-called London gold pool.

First, I wish to answer with respect to that intimation, I think that they flatter me too much on the influence I could have on bankers and world financial markets. When one compares the loss of gold in December 1967, which was $900 million, and with losses in January or February, remembering that I spoke at the end of February or thereafter, it is pretty small potatoes. The real danger is that the tremendous bleeding in terms of the gold stock which has taken place may very well take place again, and that is why we are here. As I see the Senate's role today, the Senate is a fire brigade. A great fire is about to break out. The Senate is here to take the necessary preventive measures with the other body to try to stanch the flow of gold.

I do not wish to speak under false pretenses about this matter. I do not believe that the gold base will persist in the world for very long. I believe that the gold base will be succeeded within a measurable period of time by an International Federal Reserve System. I believe that the special drawing rights are the beginning of that system. But between the cup and the lip a patient could die. Therefore, what we do within the next month to 3 years is of the utmost importance, because no one can give us a prediction as to how or even when the special drawing rights will become operative. The most optimistic prediction I have heard is in 1969, but not even a prediction as to its adequacy. I have heard as little as $6 billion discussed.

We face an international reserve problem. Therefore, the interim measures—which is what we are talking about, and we must frankly understand that—become critically important.

The real question facing the United States is whether it has already gone overboard so far, in respect to an erosion of confidence by the world in the dollar, that no matter what we do, even making available roughly another $12 billion in gold, will only result in the gold being drained out possibly even at the rate of $900 million a month, which is pretty high for a maximum rate, and that was reached at the end of 1967.

One other point: Let us not kid ourselves about the fact that the demand is there. There are some $15 billion worth of dollar claims which could be made in gold by the other central banks of the world. There is roughly the same amount, $15 billion to $16 billion in private hands which, if put through central banks, would have the same result; or if used on the London gold market, should we be so unwise to feed that market, would have the same result.

The question of whether we take off the gold cover is also strictly a matter of confidence. We do not have enough gold to pay all the gold demands of the world any more than can almost any bank, aside from the backing of the United States through the FDIC—and I do not care how big the bank is—does it have enough to pay all its depositors. It is dependent upon the question which is had in this, as to whether the situation can be maintained. Because I believe that one element of that question is confidence in ourselves and in the fact that we believe we can make the grade in world terms.

I favor the bill but it will by no means, standing alone, do what needs to be done. On the contrary, there is very grave danger that the gold, so important to us during this interim period, will be very quickly drained down and we will face a new crisis within a period of months.

With that in mind, I propose an amendment to the bill, which I shall call up shortly, which calls upon the Secretary of the Treasury to instruct the U.S. Executive Director of the International Monetary Fund to propose to the Executive Directors of the International Monetary Fund that they develop recommendations with respect to the future role of gold as an international monetary reserve with steps to be instituted to ensure that gold will contribute to the proper functioning of the international monetary system.

The reason for the amendment is that whatever may have been said about the legalities of the situation under the IMF, the fact is that we are, as it were, nailed to the cross of gold—to wit, the obligation to sell it, come what may, at $35 an ounce, and it has been declared time and time again by our President and the Secretary of the Treasury as being our firm policy from which we will not deviate.

I predict, before we are very much older, that the International Monetary Fund will become the central agency for dealing with international reserves, as it should be.

The whole concept that one country, whether the United Kingdom, the United States, or even both, should be the source of the world's reserve currency is obsolescent. The world is too big, too complicated, too interdependent, and altogether too much involved to leave that to one country. This crisis is showing that up precisely.

So that all that everyone is straining to do now is to carry the world on the shoulders of Uncle Sam, as a Hercules, until such time as better arrangements can be made.

My feeling is that we had better accelerate the time for better arrangements, even as we act as a fire brigade right now. That is the net effect of everything I have proposed in this field.

In my judgment, I think that the remedies are clear and have been clear to all.

They are threefold: First, we assert confidence by freeing the gold stock, which is what the bill would do and, therefore, I am for it; second, to assert confidence, after freeing the gold stock or in connection with freeing the gold stock, by recognizing that we are in a war which, for political reasons, the administration refuses to recognize, and that, being in a war, we must pay higher taxes or suffer the penalties of inflation, that we have to place restraints upon ourselves. This is not a small war in its financial impact upon the country. It is a war just as we have always defined it, except that, politically, the administration refuses to recognize it as such. That, in a sense, is one of the roots of our trouble.

So we need a tax surcharge in order to verify the fact that we intend to sacrifice, just as our men in the field are sacrificing. Third, in a war we curtail expenditures upon a priority basis. We do not just curtail them arbitrarily without any sense of priority. We choose national priorities and then make the expenditures for them within the national priorities.

The reason why the administration cannot and does not face the curtailment problem, which is the third aspect of what must be done, is that it refuses to set priorities because it is uncomfortable to fit them in politically. That is the nub of the thing.

Mr. President, we are faced not with a theory but with a condition. It is the condition which Congress faces. I would hope that my party would stand foursquare on this and stand up for the three aspects which need to be covered and do its utmost to implement them; namely, to take off the gold cover, impose a tax surcharge, set an order of priority for expenditures, and fit the reduction of expenditures in that order of priority.

If the administration does not want to go along, then let them turn it down.

It is most fascinating that I came to that conclusion on the same day the Senator from Delaware [Mr. WILLIAMS] did. I suppose that on our side of the aisle there are no two Senators who represent a different philosophy, one more conservative than the other, any more than the Senator from Delaware [Mr. WILLIAMS] and I. That is a national necessity. There is no other way. But, I am not hard bitten. I do not think one can be an effective legislator and be hard bitten. We are faced with the opportunity to take off the gold cover. I am for that. But, that does not blind me to the necessity of doing the other things which must be done to try and reach it at the earliest opportunity.

I hope that what I hear about the proceedings in the Finance Committee is true, that there is likelihood a tax surcharge will be put on the bill to continue the excise taxes and that, again, we will be given an opportunity, which we need, to manifest our will, that there is a war on, that it is a war, even if the administration will not call it that, and get it done.

Mr. President, I hope again that the Appropriations Committee will do what it did at the end of last year, and will again endeavor, itself, to set up an order of priorities and an order of curtailment of expenditures, in order to do everything we can to meet this package of requirements.

Mr. MURPHY. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. MURPHY. The Senator said a few minutes ago that by taking off the gold cover it would establish confidence. I wish the Senator would develop that for my benefit.

Mr. JAVITS. The Senator overstates me when he says I said it would establish confidence. Standing alone, it will not, but as one element in a package—and, as I said, we have to use whatever part of that package is available to us to use—it is useful, in that it does not put holders of gold claims—I do not mean legally—and holders of dollars in central bank hands, and so forth, who can acquire gold, in fear that the Congress is out of step with the administration in respect to the $35-an-ounce commitment.

In that way, we say that we are backing the administration on the $35-an-ounce commitment. When one wishes to shut off a run on a bank until appropriate steps can be taken, he keeps the window open before taking that position. So now we are close. With but $1 billion left in free gold, we have a right to ask if the central bankers of the world have a right to fear if Congress is not cooperating with the administration.

Mr. MURPHY. Does not the Senator agree with the Senator from California that, to all intents and purposes, in effect there has already been a gold run and it has been continuing?

Mr. JAVITS. Yes; but so far all the claims have been paid at the window.

Mr. MURPHY. The Senator makes an important point that the economy of the country depends on several things. One is that we must get our fiscal house in order, which is nothing new. We have known it for some time, and on this side of the aisle we urged three times in one afternoon last session, and we begged to the extent of $6 billion that that be done. There has been no sign that I have seen—and I think the Senator will agree—of any attempt on the part of the administration to take this as an absolutely necessary step.

The Senator from California wonders if this might not be the time to say to the administration, "These are my terms"—not in a partisan, political sense; the crisis is too great and too close for that—"Here is what we will do on our side. Here is what you must do on your side. If this is to be effective in any way, it must be in absolute balance, and it should be concurrent." In the past we have had bad experiences. The administration has been accused of not trying to save money when it should have been. At the same time, we have received other requests for money. Therefore, we have a right to do this. Would not this be the best way for Congress to establish its position?

Mr. JAVITS. While appreciating that point of view, and understanding the good faith and intelligence which dictate it, to me the superior consideration is the fact that we cannot fail to remember that the whole world is looking at us. We are not operating here only in camera. The whole world of finance and the economies of the world——

Mr. MURPHY. Mr. President, will the Senator yield at that point?

Mr. JAVITS. I yield.

Mr. MURPHY. I myself spent a number of years in a medium where many people looked at me, and I found their reaction depended generally on my performance, and if I did not perform properly, they did not look at me any more. I came here in the same spirit, and I have to do what I think is right and proper. Expediency does not interest me. Sometimes someone says, "Well, it might work temporarily." I have yet to have anybody tell me how taking off the gold cover will settle the matter. I have asked how long it will stave off the evil—1 week, 2 weeks, an hour and a half? Nobody seems to know. I do not think we should try to fool anybody with this particular proposal. That is why I asked the question. I wanted to be certain. It is so important. For instance, I heard a figure. We are engaged in a costly war, but I heard a figure yesterday that we are building a fence in Vietnam, which most military people do not want, at a cost of $1.6 billion. Can the Senator tell me whether it is true or not?

Mr. JAVITS. I do not want to be diverted into the Vietnam war and beyond this question. I understand, too, that there is a proposal to build a fence, and some of it has already been built, and that it involves an expenditure of the order of magnitude the Senator has mentioned. I am accepting the fact that the Vietnam war is a drain financially, a war in which a tax surcharge is required.

To go back to the Senator's analogy of show business, I do say our performance is what the world is looking at, but our performance is not that we are going to hold out for a package deal from the administration. That would be a performance that would make the world turn away. Our performance is that, notwithstanding the fact that we may be wrong in a nonpackage deal, affirmative action is better than no action at all.

Therefore, we are taking the first action that is available to us, to wit, this action. We will press for other action, but we will take this action, so we will be worth the continued attention of the "customers." The Senator has pointed out exactly what I was trying to say, in a colloquial way, which makes it even more understandable.

Mr. MURPHY. Mr. President, will the Senator yield?

Mr. JAVITS. I do not want to contest the Senator on his knowledge of show business, which is far superior to mine.

Mr. MURPHY. When I was in show business, 85 percent of the market was domestic. It was from the United States. I would also like to point out that my particular interest in my audience now is the people of the United States, and the people of California in particular. To make an appearance on the world stage is not anything of my concern. I have to approach this question from only one point of view: What is best— the right and the wrong—to change the direction in which we have been going far too quickly the last several years, not just this year or last year? And it did not start with Vietnam, either; it has been an adopted policy for some 25 years. How can we best change it and restore the economic health and economic confidence of this country?

We have costly strikes. The settlements continue to create inflationary pressures. The fellow in the rank and file who is getting a raise as a result of a strike really does not get anything. If he has saved money, he is losing it with the 43-cent dollar. He should have a 100-cent dollar. These are the things that concern me. That is why I questioned the Senator. The first step mentioned is the one I had been particularly interested in.

I thank the Senator for his courtesy.

Mr. JAVITS. May I say this to my colleague—because he brings me to the next point—I do not think anyone has stated clearly yet why we are on the international stage and why we have to do this and why it is all important. If the dollar is going to sell on the world market at a discount, then the United States is compelled to pay higher prices for an enormous range of raw materials which we need. The famous Paley study on natural resources and needs of the United States demonstrated that there are certain basic requirements to keep our industrial machine going which require vast expenditures in the world, because we have no such reserves. Therefore, no matter how autocratic we might want to become, these raw materials are necessary to be acquired by us. We have to measure that fact against the fact that we are the world's creditor. I do not like it. I think it is a very unhealthy situation.

We are no longer in the days of the Pax Britannica, when some one nation, like the British or ourselves today, should be the source of the world's credit. The present situation shows it is too risky. It is too risky for us; it is too risky for them. But there remains the question of the maintenance and continuance of some form of world prosperity built upon this credit system, and our own prosperity, upon the fact that our dollar sells abroad at its par value, and therefore enables us to buy everything our industrial machine needs in a competitive situation.

That situation could change, and change very drastically against us, as compared with other countries. There is no use carrying the American flag around, as a woman did during the London blitz, and thinking the bomb will not hit us. At least we are learning that as a part of our experience.

Now, Mr. President, I think I have laid out the thesis except for one thing. I strongly disagree with the risk which the United States will continue to run, even if we free this gold stock—the risk that confidence may be further very deeply eroded. Already the prospect of the freeing of the gold stock—though I shall vote to do it, with my eyes wide open, because I think it is one part of what needs to be done—that freeing of the gold is going to start the bleeding of our gold through the London gold pool. I think that pool is feeding hoarders and speculators. I think the history of just the last 24 hours, which the Senator from Texas [Mr. TOWER] has cited, indicates that the situation, stating it boldly, is to be considered simply a stopgap operation, and that the bleeding of the gold stock will continue in a very material way.

Therefore, I repeat what I have recommended before—for which I have been criticized, but I deeply believe it is in the interests of our country—that the United States, now that its hands are free, stop feeding the London gold pool, and go to individual arrangements with the other central banks, to which I believe they will agree, to stop the drain of gold to their own nationals in a backdoor way.

I think if we do that, Mr. President, it will create a two-price market for gold, but it will put the speculator in a peril which he is not in today. Today no speculator in gold is taking a risk at all; he can only make a profit. That will put him at his peril; monetarily the price will go up, but he has to remember that it may go down also.

If we do that, Mr. President, we will obtain maximum value by putting all the chips on the table, without being suckers—suckers in the sense that otherwise it may all be drained away because, notwithstanding any expressing of optimism to the contrary, the faith may not be there in sufficient quantity to justify our optimism.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. JAVITS. I yield.

Mr. CURTIS. Would the Senator spell out in detail what he proposes be done? How can he stop it?

Mr. JAVITS. I thought I explained it, but I will do it again.

The United States contributes 59 percent of everything which is required for the London gold pool. The London gold pool, as we know, drained off hundreds of millions of dollars in 1 month alone. It is capable of draining off any amount, from $100 million upward, during the course of a month.

Mr. CURTIS. And that is still going on.

Mr. JAVITS. That is still going on. I would stop supporting the London gold market.

Mr. CURTIS. All right. Who stops it, and how?

Mr. JAVITS. The United States contributes 59 percent. If the United States says, "We will no longer have gold for sale for dollars in the London gold market," the London gold pool will end, because the people who are putting up the 41 percent are certainly not going to take all that heat without us.

Mr. CURTIS. Who says that for the United States?

Mr. JAVITS. The Treasury of the United States. The President. We do not have the power, in Congress, to stop that, unless we did this——

Mr. CURTIS. Could he do it this afternoon?

Mr. JAVITS. He could do it any time.

Mr. CURTIS. Could he have done it yesterday?

Mr. JAVITS. Yes; absolutely.

Mr. CURTIS. Would it have been beneficial?

Mr. JAVITS. I think it would have been very beneficial, and I think it is what the country needs.

Mr. CURTIS. Has it been proposed?

Mr. JAVITS. It has been proposed by me, and by many others.

Mr. CURTIS. What is the answer?

Mr. JAVITS. I think the answer is that it is felt that a two-price system—I am now being sort of a devil's advocate, but I will give you their answer—for gold will be disadvantageous for the United States and for other countries as well, because no matter what arrangement we make with the central banks, there will be gold leakage from some of the central banks to their nationals for operations in the London gold pool at higher prices, and ultimately the force of Parkinson's law will operate, so that the market price of gold will have to be officially recognized. That will represent a devaluation of the dollar, and other currencies will have to devalue in accordance with that devaluation.

Mr. CURTIS. The Senator has said the President could, this afternoon, put a stop to feeding the London gold pool. If he did so, would he break faith with anybody?

Mr. JAVITS. I would say that my answer to that would be—I wish the Senator would not use the word "anybody." That makes it hard for me to answer. If he said, "Would he break faith with the buyers of the London gold market," my answer would be decidedly no, because the only people with whom we have a faith agreement are other central banks which have held off, unlike the French, who have been very mischievous in this matter, but other central banks have held off buying gold from the U.S. Treasury, at our request, so that we have an obligation, a gentleman's obligation, which I certainly would honor and support, to them.

We do not have an obligation to the gold hoarders and speculators who buy in the London gold market.

Mr. CURTIS. One further question. If the President could stop the flow of gold into the London gold pool—that is what it is called; is it not?

Mr. JAVITS. That is right.

Mr. CURTIS. Would it stop or materially lessen the outflow of gold from the United States?

Mr. JAVITS. Without any question.

Mr. LAUSCHE. That is not a substitute for it.

Mr. CURTIS. Will the passage of this bill, without such presidential action, stop the outflow of gold from this country?

Mr. JAVITS. It will not. But what it will do, I gather, is to encourage, at least for the moment, the other nations who participate in the London gold pool to continue to participate in it. It will give us time to put our affairs in such shape that the speculators of the world may conclude that they were wrong in supposing that gold was going to reach a higher price, and that therefore it is unproductive to continue to buy and hold gold.

The Senator has made a very elucidating point. It is really not a good deal to buy and hold gold if it is going to stay at $35 an ounce, because gold costs you money to insure and carry, and it does not earn interest, as do dollars. Hence, it is really not productive, unless you have a reasonable expectation of an increase in price. As long as the United States commitment to sell gold at $35 an ounce remains in effect, the speculator has not been taking any chances except for the reasonable amount that he lost, to wit, in interest and in carrying charges; but if it becomes very clear that that is a vain hope, then there is a reasonable expectation that speculation and the drain on the London gold market would lessen.

What I am arguing is that I do not see any such likelihood under such present conditions, and therefore I would hope that the administration would move in more productive directions. For example, I have made the suggestion that we stop feeding the London gold pool, and make agreements with the other central banks before it is even later than it is now, and it is late enough.

There is no black and white in this; it is always a gray area. I do not see that it is advisable to turn the administration down on this matter, simply because I do not think they are doing enough in the other fields in which I want them to act.

Mr. CURTIS. Will the Senator explain to me why stopping sending gold to the London gold pool, ipso facto, creates a two-price gold?

Mr. JAVITS. I will explain that to the Senator. However, I ask the Senator's indulgence. I promised to speak for only 15 minutes. The Senator from Colorado [Mr. DOMINICK] was gracious enough to let me precede him, and I am really intruding now, but I will answer the Senator's question.

Mr. SPARKMAN. Mr. President, I wonder if the Senator will yield to me before moving to that point.

Mr. JAVITS. I yield.

Mr. SPARKMAN. The Senator from Nebraska asked, a few minutes ago, if carrying out the proposal the Senator suggests would break faith—I believe those were his words—with anybody.

The Senator said that he wished we would not use the term "anybody." However, is it not true that this practice would be breaking faith with the agreement we had with other nations?

Mr. JAVITS. Not with the other central banks. I did say that.

Mr. SPARKMAN. I was not sure that the Senator had added that statement.

Mr. JAVITS. I did; absolutely.

Mr. SPARKMAN. Does the Senator not think that would have a rather shattering impact on the dollar market?

Mr. JAVITS. I do.

Mr. SPARKMAN. And the pound market?

Mr. JAVITS. I do. However, I said that it would be breaking faith only with the people—the speculators—who are being supplied through the London gold market.

Mr. SPARKMAN. I certainly accept that, because we owe them nothing.

Mr. CURTIS. Mr. President, why do we give them something if we owe them nothing?

Mr. SPARKMAN. That is a side operation.

Mr. CURTIS. Our gold is being drained and siphoned off by people to whom we owe nothing.

Mr. SPARKMAN. They are doing this as a means of speculation, and I rather think that someday they will pay dearly for what they are doing.

Mr. JAVITS. Mr. President, the Senator from Colorado [Mr. DOMINICK] has signaled to me his permission to answer the question of the Senator from Nebraska and also the inquiry of the Senator from Alabama.

A two-price system would be created, because under the plan I offer, the United States would continue to maintain its relations with the central banks to whom there is an obligation—and certainly a gentleman's obligation—to buy dollars from them and give them gold at $35 an ounce upon an agreed basis.

We would not supply the London gold pool where the gold price would float free, as the financiers say, because there is no $35-an-ounce guarantee there. It might go higher or lower. The general expectation is that it would go higher, at least for the present. So the central banks could get gold from the United States at $35 an ounce, but gold would sell momentarily for considerably more in the London gold market. That is the big issue.

Mr. CURTIS. Mr. President, do we not have a two-price system now in reality?

Mr. JAVITS. Not yet. We do not have it so long as we keep feeding that market the gold at $35 an ounce.

Mr. CURTIS. Have we offered anybody any gold lately?

Mr. JAVITS. We are offering it every day in the London market.

Mr. CURTIS. I mean domestically.

Mr. JAVITS. No.

Mr. CURTIS. We are prohibited by law from doing it.

Mr. JAVITS. The Senator is correct, except for commercial use. And there, too, it is offered at $35 an ounce.

Mr. President, I am sorry to have digressed from my speech, but I would like to sum up in 1 minute and I promise the Senator from Colorado that I will not yield to anybody else.

The pending bill is necessary, and I shall support it for the reasons I have stated. This is by no means what needs to be done. What needs to be done is to deal with our imbalance in international payments in a more intelligent way.

What also needs to be done is to have a war tax, a tax which we have been too timid to levy.

What also needs to be done is to establish an order of priorities on our domestic expenditures across the board and cut our expenditures to suit those priorities.

Mr. President, to pass this bill alone without taking action to pull out of the London gold pool and on the other measures I proposed on February 28 would be to trade upon a confidence which may at this moment be so eroded that it cannot be safely traded upon.

I would, therefore, urge the administration to take action to take us out of the London gold pool and negotiate the agreements with the other central banks which would be required.

Mr. President, as I have run out of time in connection with the gentleman's understanding that we have, I will offer my amendment later.

I ask unanimous consent that the full text of my February 28 speech in the Senate on this subject be printed in the RECORD at this point.

There being no objection, the speech was ordered to be printed in the RECORD as follows:

STEPS TO STRENGTHEN CONFIDENCE IN THE DOLLAR

Mr. JAVITS. Mr. President, I wish to address the Senate today on a critically important matter which is the corollary to the action of the United States in seeking to deal with inflationary forces in the country. I shall deal today with the problem of the international monetary system, as affected by gold.

Inasmuch as this is a critically important question affecting the securities markets, the financial markets, and major monetary and fiscal elements of policy in our government and other governments, I wish to make it very clear that I do not speak for the U.S. Government. We all understand that under our constitutional system. However, I wish everyone in the world to understand that I have no inside information that the Government is going to proceed along this line. On the contrary, my information is that the Treasury Department does not agree with me in many of the matters which I recommend. I am making the speech because it is important that in the public domain these questions be discussed realistically, with the hope that constructive action may ensue. Otherwise we stand in a very grave economic danger in this country of losing materially the remainder of our gold stock and materially jeopardizing faith and confidence in the American dollar and the ability of the dollar to stand as the standard international unit of currency in the world.

Mr. President, I hope very much that our Government and other governments will give very serious attention to these ideas, and I also hope that the banking community and the financial community of the world will likewise do so, and that from this debate, as some of the things I am recommending are very controversial, may arise a better policy than the policy which seems to be leading to some kind of financial or economic Armageddon in this world, which would be man-made. There is no excuse for not speaking when one has ideas to put forth. That is my understanding why we are Senators and these are uniquely the kind of proposals Senators can make.

Within the next few days the Senate will take up for consideration a bill to repeal the 25-percent gold reserve requirement that would free our remaining $11 billion gold stock for the defense of the dollar. It is essential that this action—which I favor—be really effective. It is a major step by the Congress to deal with the mounting crisis of confidence in the management of the dollar and the U.S. economy.

The deficit in our balance of payments and the uninterrupted outflow of gold have been primarily caused by the administration's failure to deal adequately with inflation at home which followed rising levels of expenditures for Vietnam and mounting budget deficits. Its failure to limit the balance-of-payments effects of the Government's overseas programs, especially expenditures connected with the Vietnam war and with our military commitments around the world, has worsened the situation. Its failure to prepare in time for the aftermath of the devaluation of the pound sterling has worsened it further.

In my judgment, this administration has to date refused to deal with the causes of our balance-of-payments deficit and gold outflows. Instead, through a steady proliferation of controls—from the interest equalization tax to the foreign investment, loan and travel curtailment program announced on January 1—it has dealt only with its symptoms.

Unless effective action is taken and soon to deal with mounting inflation at home, the new balance-of-payments program announced January 1 last and the removal of the gold cover for our currency will fail—as did previous programs—and our gold will continue to flow out—including serious depletion of the gold made newly available—with the most serious consequences for the dollar and the international monetary system.

The response of the administration to the progressive deterioration in the international monetary situation and weakening in the position of the dollar has been singularly free of both realism and imagination. The response has been unrealistic in that it has assumed that statements and points of view and policies that may have had some constructive effects a decade ago are still effective. It is lacking imagination in that it has proposed no change in practice or policy that holds out promise of curing a very difficult situation.

If we want to make progress toward restoring world confidence in the dollar and bringing our balance-of-payments deficit under better control, I suggest that the following matters need to be cared for:

First. Inflation at home must be brought under control through appropriate monetary and fiscal policy.

I labor under no illusions as to the feasibility of achieving a lower level of spending than the President wants or to levy additional taxes which are anathema to the Congress. Again, the principle of priorities is involved. If the President gives high priority to the defense of the dollar internationally, he will find it necessary to accept some reduction in aggregate spending below the amounts shown in the recent budget message. And if Congress is equally convinced of the need to support the dollar, it will find it necessary to accept an increase in taxes. The plain fact of the matter is that if the President and all the Members of the Congress each insist upon a package which will fully meet individual preferences, there will be no effective action on the fiscal front this year. Since I believe that such action is imperative, I am willing to support a program which I dislike in part because of the stern reality and necessity of taking action. I hope that the need for action receives bipartisan support. The defense of the dollar is too important to be decided on partisan grounds.

In that connection, I point out that the Federal Reserve has already shown restraint respecting their credit policy and I thoroughly support it.

We have got to make the hard decision on overall expenditures and an increase in the tax take which, in my judgment, will include a surtax, although I differ with the administration on how it should be apportioned as between individuals and corporations. In my judgment, it should also include some effort to bring money into the Treasury through closing tax loopholes. The No. 1 item, of course, is the 27½-percent oil depletion allowance, although there are others.

Second. The gold reserve requirement should be repealed.

On December 14, 1967, I introduced a bill which would repeal the 25-percent gold reserve requirement against outstanding Federal Reserve notes. In his Economic Report this January the President urged Congress to take this step. Both the Senate and House Banking and Currency Committees approved the President's request and the House passed it last week by a vote of 199 to 190.

The requirement is a holdover from the days when gold coin circulated in the United States; it is no longer realistic to maintain these requirements from the domestic point of view. Its repeal would have no significant effect on the future course of Federal Reserve credit policy, the interchangeability of currencies or the future purchasing power of the dollar. The repeal, or reduction, of the reserve requirement will be required, in any event, in order to meet the needs of a growing economy for paper money. From the point of view of the domestic economy, therefore, the repeal of the gold reserve requirement is both necessary and appropriate.

The repeal of the gold reserve requirement does not, of course, by itself do anything to improve our balance of payments or restore international confidence in the dollar. That, as I stated earlier, depends on our willingness to reduce inflationary pressures at home resulting from rising expenditures for the war in Vietnam.

Third. In our balance-of-payments program much greater emphasis must be placed on greater savings in the Federal Government's foreign military and economic programs.

Of the $3 billion plus target in the new balance-of-payments program, only $500 million is represented by projected savings in the Government sector, which has been regularly showing large payments deficits. At the same time, the private sector of the balance of payments, which consistently shows large payments surpluses, is being called upon to come up with a savings of $2.5 billion or more. This lopsided emphasis upon savings in the private sector has adverse implications of a serious nature for the future of the balance of payments—for example, it will certainly, over a time, impair the growth in income from direct investment which has been one of the few bright spots in the recent balance-of-payments experience of the United States.

Cutting the payments cost of the Government programs will not be easy, particularly as long as the international military involvement of the United States remains what it is. The recent fiscal record shows the unfortunate consequences of basing decisions on an early end to hostilities.

The Vietnam war does not have significant support among our major allies and cannot be used as an effective argument to induce them to provide increasing support for the American dollar. Rather, the planning of the balance of payments should reflect the possibility that operations in Southeast Asia may continue for a protracted period and may involve higher payments costs. This underlines the necessity for taking even more vigorous action with reference to other aspects of the Government's activities abroad.

Many avenues and alternatives need to be explored. How many military establishments are being maintained which are no longer useful or necessary because of the change in the techniques of warfare over the past 20 years? Why should countries which are capable of covering the balance-of-payments cost of the American military establishment located in their area not be given a clear-cut choice of covering the payments cost or seeing the American military establishment cut back? Is it necessary to send dependents of military personnel to Europe, while other American troops are suffering serious casualties in Vietnam? These are some of the tough questions that need tough answers.

The economic assistance programs likewise require very critical examination. How effective are the provisions for tied aid and how much leakage is involved? What portion of the funds provided to the Government in Vietnam return to the United States, and what happens to the balance? To what extent have commercial markets for American products been impaired by virtue of the economic aid programs? Are other countries putting up their fair share of funds being expended on international economic programs? What about the observations in a recent report of the Comptroller General of the United States to the effect that Government activities were not being administered with due regard to conserving dollars?

These are only a few examples of the types of questions that need to be asked—if Government programs are in fact to achieve even the limited $500 million target objective for 1968.

Fourth. The Administration must give adequate support to two facets of the earlier balance-of-payments programs which have languished and largely failed because of lack of support, namely the encouragement of exports and the promotion of travel by foreigners to the United States. In neither instances have the efforts been given the priority and financial support which they must have in order to yield substantial and meaningful results. There is some hope that this situation may be corrected now, but the programs cannot be expected to yield major results in the immediate future unless they are immediately acted upon and are adequately funded. The recommendations of the President's Special Industry-Government Task Force on Travel is an important case in point.

We cannot procrastinate or delay in taking major measures on the assumption that the dollar is the strongest currency in the world and is not subject to serious pressure because the U.S. industrial complex is the largest and most powerful in the world. Despite the size and strength of American industry, our trade surplus—including that portion which is Government financed—declined from $6.7 billion in 1964 to $3.6 billion in 1967. If we look at our commercial trade surplus only, it dropped from $3.9 billion to close to zero in 1967. Although exports showed an increase, this was dwarfed by a very large rise in imports reflected in the rising level of business activity, industrial production, personal income and prices in the United States.

The power and strength of American industry obviously provides the most important underpinning for the dollar. But this underpinning will be inadequate unless we are, as a nation, willing to adopt more realistic and less inflationary fiscal and monetary policy.

If the payments deficits continue at the rate reached in the last quarter of 1967, the results are quite clear: we shall continue to pour out surplus dollars; part of these dollars will find their way into foreign central banks, and some of these dollars will be presented for conversion into gold; the U.S. gold stock will continue to decline; the international liquidity position of the United States will continue to worsen; monetary disturbances around the world will trigger further waves of gold buying which will further deplete the American gold stock. At some point the United States will either have no more gold with which to buy dollars presented by foreign central banks, or will decide that the remaining gold stock will have to be husbanded as a strategic reserve. At that point, the present international monetary system will fall into a state of complete chaos, unless we have, in the meantime, constructed a new monetary system to take the place of our present one.

I am not an alarmist. I am not suggesting that this sequence of events is likely to culminate in the ultimate international monetary crisis in a few months, or even in a few years. But each billion dollar loss of gold weakens the position of the dollar by reducing the wherewithal with which the dollar can be defended in the foreign exchange markets.

Even if we increase the effort devoted to getting the American payments position under control, the results may not be forthcoming in the quarters immediately ahead. What is important is to make an effort that has made chance of success than the present program.

High Treasury and Federal Reserve officials in their argument supporting repeal of the gold reserve requirements have stated in recent public hearings that the entire gold stock of the United States is available to support the dollar, that is, they propose, apparently, to continue to maintain the convertibility of the dollar into gold by paying out gold even if the American gold stock is eventually exhausted.

It is unthinkable that responsible American financial officials should contemplate such a course of action or that sophisticated observers, either here or abroad, would believe that the American gold stock would, in practice, be reduced to zero. Considerations of national defense alone make it imperative that some strategic reserve of gold be maintained against the awful and gruesome possibility that the United States may once again get involved in a major conflagration. Beyond this, it is quite impossible to see how the United States would fare in the international monetary system of the future, regardless of how it may be changed, if no stock of the only generally acceptable international settlements medium—gold—were available to support the dollar in the foreign exchange markets. The only conditions under which the United States could operate without any reserve of gold would be a freely fluctuating system of exchange rate or under a world central bank system. Fluctuating exchange rates are ruled out under the Articles of Agreement of the IMF and by our monetary authorities. A world central bank system—even though I believe it is desirable—is not in the cards in the near future.

II

These are the considerations which prompt me to make some comments and suggestions with respect to gold.

One of the crucial problems is that world gold stocks are being depleted, and will continue to be depleted, as long as the gold pool countries continue to feed gold into the London market in order to keep the price from rising materially above $35 per ounce. The United States carries at least 59 percent of the drain. There is the ever-present risk that the European members of the gold pool will decide that they will not continue to lose gold to speculators and to others in order to keep the market price at $35 per ounce. Rumors are rife as to further withdrawals from the gold pool in addition to France.

Various ideas have been bruited about as to how to stop the drain on the London gold market, to permit the market price to respond to market forces while keeping the monetary price at $35 per ounce. As long as the United States continues to provide gold at $35 per ounce to monetary authorities in exchange for dollars, a two-price or multiple-price system is not likely to be feasible. The temptation would always be present for some central banks to sell gold in the London market at a price above the monetary price, and to replenish their gold stocks by presenting dollars to the U.S. Treasury for conversion into gold. It would probably be asking too much to expect that all 107 members of the International Monetary Fund would be willing to forego the opportunity to realize a profit without assuming any risk.

To meet these situations I suggest the following course of action: First, the United States and the other gold pool countries should stop supporting the London gold market and let the price there fluctuate in response to market forces. This can be done without action by the Congress.

Under the Gold Reserve Act of 1934 the President can sell gold on a discretionary basis. Similarly, he has authority to refuse to buy gold, or to buy gold only in the amounts and from sellers determined by the U.S. Government.

If my suggestion were adopted, the price of gold might go to a premium above the established monetary price of $35 per ounce, or conceivably, it might decline. There is little basis for estimating the range within which the free market price of gold would fluctuate in the London market; the only way to find out is to stop "feeding" that market. This move would end the loss of gold on the part of the important industrial countries.

A higher market price would, over time, provide an incentive for additional gold production.

That is one of the primary deficiencies—there is no net inflow to the world's monetary stocks from current gold production.

Also, it would increase the risk assumed by speculators in their gold operations, since the margin between the market price and the official monetary price would probably be substantial.

Second, and this is a very controversial recommendation, the United States should move to stop the practice of providing gold at $35 per ounce in exchange for dollars presented by official holders.

I wish to emphasize that in this matter I do not make a permanent recommendation for U.S. policy, but I do recommend that at this time, and for the purposes of straightening out, as it were, the world's monetary system, we terminate the automatic convertibility of dollars into gold at $35 an ounce, and that we immediately enter into negotiations with all major holders of dollars in the world which would permit the United States to work out with them what gold they need in return for dollars—some limited convertibility in that regard—and in return for their agreeing not to unduly raid U.S. gold stocks.

Under the articles of agreement of the International Monetary Fund, a member country agrees to maintain, within its territory, the quotations of foreign currencies within a prescribed margin above and below parity; in the case of spot exchange, the margin is 1 percent. The articles also provide that a country which freely buys and sells gold is to be considered to be complying with this requirement.

Except for the United States, there is no nation of consequence that freely buys and sells gold. All the other member countries fulfill their responsibilities under the IMF articles by operating in the foreign exchange market. The United States could adopt this almost universal practice by informing the IMF of its decision; no legislation would be required. This action should, of course, be taken simultaneously with the termination of activities by the London gold pool.

The termination of automatic convertibility of dollars into gold at $35 per ounce would prevent a continuing decline in the U.S. monetary gold stock. The longer the action is delayed, and such action is probably inevitable in any event, the smaller will be the gold stock to be conserved. Suspension of automatic convertibility of dollars into gold would permit the United States to husband its gold reserves and to use the limited reserves more efficiently and to negotiate agreements with as many as possible of the major dollar-holding countries under which the monetary authorities of the participating countries would agree to make gold available only to other members of the group. The United States, of course, would convert gold into dollars whenever necessary in its own discretion to support foreign exchange value of the dollar. Local demands for gold could be met by purchases, at the market price, in the London or other gold markets.

I emphasize that this would be a way to stop the bleeding of the United States with respect to gold and to regularize the transactions on the basis of the existing situation. The United States would move from that very promptly to negotiations with other major dollar-holding countries, and I am hopeful that that situation would be a bridge to the time when the special recommendations made by the IMF regarding "special drawing rights" would be made available, which we expect, in 1969. That would be phase 2. The ultimate would be a reform of the international monetary system so as to free us from the very strong dependence on gold which we have today.

No change need be made in the gold content of the dollar which would require action by Congress. Suspension of dollar-gold convertibility would inevitably, have to precede any discussion of a change in the monetary price of gold.

The maintenance of the present gold content of the dollar would avoid any inflationary impact that would arise out of an increase in the monetary price of gold.

Refusal to change the gold content of the dollar and the possibility that its market price will rise above the price at which Government and central banks will be willing to buy gold may admittedly result in a situation in which new gold production will be channeled into nonmonetary uses and in which the monetary authorities are not likely to add to their stocks out of new production. Several comments are in order. The first is that this situation, unfavorable as it might be, is still to be preferred to the present arrangements under which the monetary authorities lose gold by "feeding" the London gold market. The second observation is that it might be possible, by negotiation with the major gold-producing countries, to arrange to have a portion of the new production channeled to the monetary authorities.

Under such a policy the United States would export gold only at its own discretion, with the result that gold exports, in and of themselves, would no longer indicate a gold crisis. Nor could such gold exports be interpreting as indicating a scarcity of gold—which inevitably results in an increase in gold hoarding and upward pressure on the market price of gold. The United States would be free to use its gold in an orderly manner.

I was asked the question, and I would like to inject the answer, as to how we would get the foreign exchange which is required to sustain the value of the dollar in the absence of automatic convertibility of dollars into gold.

In the first place, selling gold whenever we could.

Second, by the United States' borrowing power, in the IMF which is close to $5 billion.

Third, by the approximately $2.5 billion of foreign currencies which we have gotten as a result of swap deals.

Fourth, by more swap deals—which I recognize are loans—which would give us many more millions of dollars.

Fifth, through exporters. By collecting the foreign exchange they accumulate and making it available to the United States and otherwise.

Announcement of a gold policy such as I propose, should be accompanied by a statement making it clear that: First, exchange rates for the dollars with respect to other leading currencies will not be affected; second, large resources are available to maintain the dollar exchange rate, and that gold will be exported whenever such action is deemed to be desirable or necessary; third, convertibility of dollars into other currencies will continue without restriction; and fourth, private commercial exchange operations will be unaffected.

Furthermore, if the United States might not buy gold except in selected cases, and at a price that might be less than $35 per ounce, it would tend to restrain a speculative rise in the price of gold.

Certainly, the worst of all worlds is to continue the present arrangement under which the gold stocks of the major financial powers are being depleted and transferred into the hands of speculators and hoarders.

That is possible because we have an absolute guarantee to everybody that if the dollars come through the central banks, we will automatically redeem them in gold.

Obviously, these suggestions for changes in current practices in the world's monetary system have some disadvantages. The facts are, however, that the United States will have to make a choice among some unhappy alternatives.

I believe I have suggested the means for putting the United States on a road which is the least unhappy of these alternatives.

A world central bank may well be the right alternative; this may come and the United States should press for it but it cannot be assumed now. For some years yet, gold may well maintain its position as a universally accepted settlements medium among central banks and a preferred savings medium in many parts of the world. Therefore "cutting the link with gold" and embarking upon a system of floating exchange rates while it may be desirable cannot be assumed. Such arrangements are not acceptable to the monetary authorities of the industrial world, including those of the United States at this time.

This being the outlook, there is no real alternative to increasing our efforts to restore world confidence in the dollar and conserving gold—the ultimate monetary reserve of the industrial world.

If the United States really puts its payments house in order and if the major financial powers conserve their gold reserves, then, as I say, the last step would be a reformed international monetary system. There is good reason to expect that the present system can continue until the special drawing rights, now under discussion in the IMF, are approved and come into being. The SDR arrangement is designed to cope with the problem of a possible future shortage of aggregate international monetary reserves. The SDR will not be of any assistance to countries, including the United States, in coping with their individual balance-of-payments problems—and this is recognized by Treasury officials. However, to me and many others the SDR's signify the recognition by the major industrial nations that the creation of international reserves should be the result of deliberate action by an international body, the IMF, and not be left to chance.

Finally, Mr. President, I believe the United States should bring the question of the future of gold as an international monetary reserve formally and urgently before the Executive Directors of the International Monetary Fund so that recommendations could be developed to insure that in the years to come gold contributes to the proper functioning of the international monetary system.

Therefore, Mr. President, I send to the desk an amendment for printing, which I intend to propose to the gold cover bill reported by the Committee on Banking and Currency, which would accomplish this end. I ask unanimous consent that the text of my amendment be printed in the RECORD.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. JAVITS' amendment is as follows:

"At the end of the bill insert a new section as follows:

"'SEC. 15. (a) The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to propose to the Executive Directors of the International Monetary Fund that they develop recommendations with respect to the future role of gold as an international monetary reserve and steps to be instituted to insure that gold contributes to the proper functioning of the international monetary system.

"'(b) The Secretary of the Treasury shall report to the appropriate committees of Congress within one year after the enactment of this Act on the progress of the discussions pursuant to subsection (a).'"

Mr. JAVITS. Mr. President, the crucial problem remains—to restore and maintain world confidence in the dollar and to achieve a more sustainable balance-of-payments position without the use of restrictions which will promote retaliation and lead down the road to a proliferation of controls on trade, on capital investment and on the freedom of use of currencies.

I end as I began; we must give the dollar confidence problem much more priority than it is receiving currently. Selective balance-of-payments measures are, at best, stopgap measures. We must be willing to adopt sensible fiscal and credit policies.

We cannot be tied to old shibboleths, or the international position of the dollar will deteriorate further. Neither we nor the world can tolerate that, nor is it necessary.

I yield the floor.

Mr. SPARKMAN. Mr. President, I hope that the Senator from Colorado [Mr. DOMINICK] will let me make a very brief statement to the Senator from New York.

As the Senator from New York knows, because I have told him before, I recognize and I think everyone has given thought and serious consideration to this problem and recognizes that the pending bill is not complete within itself. I said so in my presentation today. Other steps will have to be taken, and certainly we shall continue to be concerned about the international balance of payments, just to mention one aspect of the problem.

These are things that cannot be done all at once. For instance, a good friend of mine, a Member of the Senate, said to me: "We ought to do three things. We ought to provide for a tax increase. We ought to provide for a cut in expenditures. Then we ought to have the gold cover removed."

I said: "I certainly can agree with you on all three things. However, this subject happens to be within the jurisdiction of the Banking and Currency Committee. The tax matter happens to be within the jurisdiction of the Finance Committee. The matter of cutting the budget lies with the Appropriations Committee. We cannot do all of these things at one time. We must take them step by step. We recognize this as one important step to be taken."

Mr. JAVITS. Except for the power of amendment by the Senate on the floor, if providently exercised, perhaps we will be ready soon—not necessarily on this bill, because I do not think we are now ready—to come forward with such mature and well-thought-through proposals as to allow such provisions to be incorporated in some other measure.

(At this point, Mr. BYRD of West Virginia assumed the chair as Presiding Officer.)

The PRESIDING OFFICER. The Senator from Indiana is recognized.

Mr. HARTKE. Mr. President, I ask unanimous consent that I may yield to the distinguished Senator from Delaware [Mr. WILLIAMS] without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE ADMINISTRATION'S PROPOSED SALE OF PLATINUM AT LOWER THAN PREVAILING MARKET PRICES

Mr. WILLIAMS of Delaware. Mr. President, today I call attention to a situation wherein the Johnson administration is desperately trying to obtain congressional approval of a bill to sell 115,000 troy ounces of platinum at $12 million below prevailing market prices.

There is pending on the Senate Calendar a bill, H.R. 5789, the purpose of which is to dispose of 115,000 troy ounces of platinum which are now held in our national stockpile and which have been certified as surplus to our stockpile needs.

I agree that these surplus minerals should be sold, but I do not agree with the administration's plan for their disposal at below market prices.

The administration seeks authority to dispose of this surplus platinum by negotiation rather than by sales through competitive bidding.

As evidence that this so-called negotiation is a farce, the committee report states that it has already made arrangements for two companies, Engelhard Minerals & Chemicals Corp., 113 Astor Street, Newark, N.J., and Matthey Bishop, Inc., Malvern, Pa., to receive practically all of this platinum at a price of around $100 per unit below the prevailing market price.

These two companies, however, will not be permitted to retain all of this $12,-million windfall. With administration approval they have in turn agreed to a formula whereby this windfall will be passed on for industrywide distribution with allocations prorated in relation to previous purchases.

The committee report confirms that the administration's plan is to negotiate this sale at a price ranging between $109 to $112 per unit. This compares with a quoted market price of platinum at $214 per unit.

When this planned giveaway was called to my attention, I immediately introduced an amendment to this bill which would strike out the authority to negotiate the price and instead require advertising and selling to the highest responsible bidder. Why should the Government not sell to the highest bidder?

No one contradicts the point but that by selling at competitive bids the Government would realize approximately $12 million more for this 115,000 troy ounces of platinum than it would receive under its present plan of a negotiated sale.

An argument is being made that if I insist on pressing the amendment, which will require that this platinum be sold at competitive bids, the administration will merely request that the bill die on the Senate Calendar without action.

This would be outrageous. Certainly our Government, which is already operating at a deficit of nearly $2 billion per month, can find a use for this $12 million.

This platinum and the other minerals in our stockpile were purchased by the Federal Government at prevailing market prices, and in many instances the prices paid were even higher. As I have previously noted, our stockpiling program has ofttimes been utilized as a support program for these minerals.

Now, as a result of wartime conditions, these minerals are in scarce supply, and the Government has a potential profit; but instead of taking this profit, they plan to siphon it back to the American industry as a windfall in the form of prices below market.

The administration should dispose of these surplus minerals in a manner which would have the least effect upon orderly marketing procedures and prices; but when there is a possibility for the Government to make a profit, it should take that profit and not shovel it out as a windfall to special interests.

By what line of reasoning does the Johnson administration consider it a crime to save $12 million for the American taxpayers?

I urge the Senate leadership to proceed to an early consideration of this bill, at which time I will press for enactment of my amendment which will make it mandatory to seek competitive bids and then sell to the highest responsible bidder.

ELIMINATION OF RESERVE REQUIREMENTS

The Senate resumed the consideration of the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890.

THE GOLD COVER QUESTION AND OUR ECONOMIC POLICIES

Mr. JORDAN of Idaho. Mr. President, the proposal to remove our gold cover, though a current issue before Congress, cannot prudently be treated as a problem isolated from the total overall task of providing a satisfactory economic policy. In my mind, one of the most crucial problems facing this Nation today along with the war in Vietnam, crime in the streets, and racial disharmony is the problem of establishing a sound and stable monetary and fiscal policy. Such a policy should be one upon which we can always depend to provide adequate financing to meet, when they arise, the crises of war, crime, and social disruption, and yet, which will permit a steady rate of economic growth to keep pace with the increasing population and meet reasonable demands for continuous standard-of-living improvements. Without such a policy, there will never be assurance of our capacity to solve crucial problems or achieve the mighty objectives that should be commensurate with our highly reputed gross national product.

For the past several months I have listened with great interest to the testimony and have read the prepared statements of many of our leading economists on the question now confronting the Senate as to whether it is in the best interest of the United States to repeal the gold reserve requirements, commonly called gold cover, for the U.S. currency. Included among these economists have been eminent professors of economics from many of our fine universities and colleges, the managers and administrators of our national and international monetary and fiscal policies from the executive branch, professional practicing economists from various segments of private enterprise, and distinguished Members of Congress from both the House and the Senate.

All of these men, in my mind, are entitled to be classified as experts. They are qualified, and I believe would be so treated by most courts in our land, to testify as experts on the gold cover question and its relationship to the fiscal and monetary policies of the United States. I do not for a moment question the good faith, integrity or patriotism of any of these experts, no matter how much they may disagree with me or with each other. But I reserve the right, as should all citizens, to carefully scrutinize, analyze, and question the rationale, logic or reasoning which they have used, for I believe that faulty conclusions may derive from premises immune from analysis and scrutiny.

The hearings and report of the Senate Banking and Currency Committee on the gold cover question and the hearings held before the Joint Economic Committee on the President's Economic Report reflect divergency of opinion as well as areas of agreement among the experts with respect to the most desirable course of action for solving our crucial economic problems. They also reflect the various viewpoints as to what part the removal or retention of the gold cover plays in such considerations.

The one point upon which agreement seems unanimous is that economics is not an exact science and that economic predictions are at most educated guesses. But they also seem to be in agreement on the following basic premises:

That the total known gold stock in the free world approximates $43 billion, measured at $35 per ounce;

That in the year 1949 the United States had in the Treasury a peak supply of gold stock of about $24.4 billion;

That as of January 1968, such gold supply has dwindled to approximately $11.8 billion;

That the United States has committed itself to maintain the world price of gold at $35 per ounce by offering to buy or sell at such price for an indefinite period of time;

That due primarily to continual balance-of-payments deficits in our relationship with foreign countries for the past several years, foreign creditors now hold dollar claims against this country totaling approximately $32 billion;

That approximately $16 billion of that sum is convertible from dollars to gold from our Treasury on demand; and

That if all such foreign creditors demanded gold for their dollar claims at the same time, we would be unable to pay on those terms.

In addition, our experts seem to agree that retention or removal of the gold cover would have no effect in putting our balance-of-payments deficit into equilibrium, and that the fundamental causes of our present fiscal problems relate to the failure of this country to correct the imbalance of payments and to the continual practice of unbalanced budgeting and deficit spending.

The disagreements lie primarily in the areas of prediction or prophecy as to the effect of the gold cover removal. For example, the administration spokesmen say that removal will permit the United State to keep her commitment to the world to buy or sell gold at $35 per ounce. The eminent Dr. Milton Friedman, professor of economics at the University of Chicago, though he favors removal of the gold cover, says:

> Removing the gold cover will not, in fact, enable us to continue pegging the price of gold at $35 an ounce. At the most, it will simply encourage us to drag out the misery and to dispose of a larger fraction of our gold stock at low prices before we give up the futile attempt. (Gold Cover Hearings Before the Senate Banking and Currency Committee; pages 153–154.)

The President said:

> The gold reserve requirement against federal reserve notes is not needed to tell us what prudent monetary policies should be—that myth was destroyed a long time ago. (The President's Economic Report; page 16.)

The President, by this statement, implies that any restraint or controls offered by the gold reserve requirement are not necessary. Other administration officials say that the restraint is actually not effective and has not been for some time. Dr. Friedman agrees that the gold cover requirement is a flimsy veil that has obscured the absence of any effective restraint on the powers of our monetary authorities, but, contrary to the obvious position of the President, says:

> Such a restraint is badly needed and should be legislated by Congress. (Gold Cover Hearings before the Senate Banking and Currency Committee; page 152.)

With respect to restraint, I observe that 48 members of the Economist National Committee on Monetary Policy put their signatures to a recommendation on May 10, 1967, that Congress not remove the gold certificate reserve requirement against Federal Reserve notes. The recommendation included the following statement:

Such a removal would open the way to a practically unlimited expansion of Federal Reserve notes, to a removal of the proper restraining influence of a reserve requirement, to a loss of all our gold stock, to thorough-going fiat money (the weakest money known to man), and to a decline and even collapse in the value of our currency. (Gold Cover Hearings before the Senate Currency and Banking Committee, P. 128)

Perhaps at this point it would be in order to observe at least some of the reasoning behind the need for monetary and fiscal restraints. Research discloses that Elihu Root, the illustrious Democrat Senator from the State of New York, who, during, before, and after his term in the U.S. Senate, 1909–15, contributed so much in the way of public service to this country, was the spokesman for a bipartisan Monetary Commission which proposed the legislation establishing the Federal Reserve System. On December 13, 1913, Senator Root proposed an amendment to the then pending currency bill which provided the gold reserve requirements with respect to Federal Reserve notes and Federal deposits. In the course of proposing such amendment, Senator Root explained the philosophy behind the legal restrictions to be placed on the Federal Reserve Board. Page 831 of the CONGRESSIONAL RECORD of that same day shows that Senator Root said:

Now let me return to the fundamental propositions of this bill, or the fundamental propositions upon which we began to address ourselves to the subject, and call attention to the fact that one of those propositions was that we should have an elastic currency.

What is an elastic currency? We all agree that it is a currency which expands when more money is needed and contracts when less money is needed. It is important not merely that the currency shall expand when money is needed, but that it shall contract when money is not needed, for to an industrial and commercial country a redundant currency is the source of manifold evils, some of which I shall presently point out.

At present I observe that this is in no sense a provision for an elastic currency. It does not provide an elastic currency. It provides an expansive currency, but not an elastic one. It provides a currency which may be increased, always increased, but not a currency for which the bill contains any provision compelling reduction.

I am not now speaking about what the reserve board may do. I am speaking about what we do, about how we perform our duty. The universal experience, sir, is that the tendency of mankind is to keep on increasing the issue of currency. Unless there is some very positive and distinct influence tending toward the process of reduction, that tendency always has, in all the great commercial nations of the world, produced its natural results, and we may expect it to produce its natural result here, of continual, progressive increase.

The psychology of inflation is interesting and it is well understood. No phenomenon exhibited by human nature has been the subject of more thorough, careful, and earnest study than that presented by the great multitude of individuals making up the business world in any country in the process of gradual inflation. It is as constant as the fundamental qualities of humanity and it differs in different countries only in degree, according to the hopefulness and optimism or the natural conservatism and caution of the people.

If the people of the United States have not wholly changed their nature from the nature which has been exhibited in all the financial history of England, from which many of us came; in all the financial history of France, from which many of us came; in all the financial history of Germany, from which many of us came; of Austria, of Italy; unless our human nature has been changed, we may confidently expect that under this proffer of easy money from a paternal Government, available for each one of us, available to send the lifeblood into the enterprise of every quarter of our vast country, available to enable all the young and hopeful and energetic Americans, east and west and north and south, to embark in business ventures which will lift them up from the hard conditions of daily toil, we may confidently expect that the same process will occur that has occurred time and time and time again in older countries.

That process is this: Little by little the merchant, the manufacturer, the young man starting out for himself and with a good character, enough to give him a little credit; the man with visions of great fortunes to be won; the man with ideals to be realized; the inventor, the organizer, the producer; little by little, with easy money, they get capital to begin business and to enlarge business. As the business enlarges sales increase, and prosperity leads to the desire for growth. They all have before them spectacles of great fortunes made by the men who have grown from small beginnings to wonderful success—the Wanamakers, the Marshall Fields, the great manufacturers, the Fords. I could enumerate a thousand whose example whose phenomenal success today inspires young Americans with boundless hope. Little by little business is enlarged with easy money. With the exhaustless reservoir of the Government of the United States furnishing easy money, the sales increase, the businesses enlarge, more new enterprises are started, the spirit of optimism pervades the community.

Bankers are not free from it. They are human. The members of the Federal reserve board will not be free from it. They are human. Regional bankers will not be free from it. They are human. All the world moves along upon a growing tide of optimism. Everyone is making money. Everyone is growing rich. It goes up and up, the margin between cost and sales continually growing smaller as a result of the operation of inevitable laws, until finally some one whose judgment was bad, some one whose capacity for business was small, breaks; and as he falls he hits the next brick in the row, and then another, and then another, and down comes the whole structure.

That, sir, is no dream. That is the history of every movement of inflation since the world's business began, and it is the history of many a period in our own country. That is what happened to greater or less degree before the panic of 1837, of 1856, of 1873, and of 1907. The precise formula which the students of economic movements have evolved to describe the reason for the crash following this universal process is that when credit exceeds the legitimate demands of the country the currency becomes suspected and gold leaves the country.

Mr. President, I submit that these words reflect great wisdom on the part of Senator Root and his colleagues of the Senate. They show to me a rather astute observation of the ways of man when dealing with money. I do not believe that since 1913 human nature has changed to such extent that we can afford to say that now we need neither disciplines nor restraints imposed upon those who manage our money. In support of this position, I refer to the discussions in both the House and Senate just 3 years ago, in February 1965, with respect to the consideration of H.R. 3818. That bill was an administration measure to eliminate the requirement that Federal Reserve banks maintain certain reserves in gold certificates against deposit liabilities.

On February 17, 1965, Senator Willis Robertson, of Virginia, in urging the passage of H.R. 3818 said, among other things:

The existence of the limit imposed by the gold-reserve requirement, flexible though it is, will make the Government hesitate to adopt policies which threaten to trespass on this limit. The knowledge that a day of reckoning will be forthcoming—that a request to the Congress for an amendment to the law must be made and must be justified—will have an effect upon the Government. This argument for the gold reserve, this argument for congressional control, is a recognition of the importance of the Congress in this field, a recognition of the constitutional provision giving Congress the power to coin money and fix the value thereof . . .

In conclusion, I should like to emphasize particularly two points. First. It is essential that we maintain a sound dollar. Industry and labor must follow moderate and responsible wage and price policies. Inflated wages and prices can hamper production, can reduce employment, and can cut down our sales abroad . . .

Second. Our balance-of-payments deficits must end. We have for years been aware of these deficits. We have deplored them. We have taken tentative and inadequate steps to reduce them. But we have not stopped them.

It is clear demonstration of the value of gold-reserve requirements that the necessity to amend them has brought home to the President, the Congress, and the country the fact that we must now end the balance-of-payment deficits. No better example of the value of a gold-reserve requirement could be shown.

The enactment of H.R. 3818 would not solve the problem. It would merely give time to the President and the Congress to end our balance-of-payments problem in an orderly and responsible fashion, while we still have a large stock of gold, a favorable balance of trade, and a prosperous and growing domestic economy.

Conditions are favorable for ending our balance-of-payments deficits. We must do so now and not wait until our stock of gold has vanished, our international financial position has weakened, and our balance of trade and domestic economy are in less satisfactory shape.

In the meantime, the Federal Reserve and the Treasury must have a supply of gold free from fixed requirements adequate to meet prospective normal needs and emergency demands . . . (Congressional Record, vol. 111, pt. 3, p. 2839.

On the next day, February 18, 1965, the Honorable JOHN TOWER, of Texas, speaking on the same bill, said:

The primary reason this bill has my support is to extend to the administration additional time in which to take steps to solve our present and increasing balance-of-payments problems. These problems cannot be put off any longer; the administration must rise to the occasion here and now to solve them.

The administration must initiate measures to discipline and insure balancing of our international expenses and receipts. Our fiscal policies must be changed to further avert additional deficit spending . . . (Congressional Record, vol. 111, pt. 3, 3167.)

On the House side a few days before, February 9, 1965, to be exact, the Honorable WRIGHT PATMAN, chairman of the House Banking and Currency Committee, included the following in his remarks while speaking for H.R. 3818:

So this Federal Reserve note that I am showing you now—that is what counts. That is what the people look at. Any time you take the gold from under that Federal Reserve note, you are going to disturb the people. You might have an adverse psychological effect. Therefore, we are not proposing to do that at all. We are not bothering it one bit, and not taking out one penny.

We are even making it stronger, by making $4.9 billion more available for this purpose. This will strengthen our money supply, so no one can legitimately claim it will weaken our money supply . . . (Congressional Record, vol. 111, pt. 2, p. 2400.)

In the past few days we have heard the same arguments again for now removing the entire gold cover, and again for the purpose of strengthening the confidence both at home and abroad in the dollar but, in my opinion, Congressman THOMAS CURTIS has put his finger on the real problem. He said, in effect, that the debate on removal of the gold cover has had little to do with the real causes of our flow of gold out of the country and the terrible fiscal condition that we are in; that the remedy, as has been told to the President by economists and businessmen and many of his own people and leaders in the Congress is that we have got to cut down Government spending and live within our budget. In other words, we cannot have both "guns and butter." He went on to say:

Mr. Chairman, if we wish to encourage confidence abroad in the U.S. dollar, there is only one way in which to do it, and that is to put our own fiscal house in order; do not try to do it through these sham laws.

Mr. Chairman, whatever action we take here insofar as the people who read this and understand it, it will make little difference . . . (Congressional Record, February 21, 1968; page 3684.)

Congressman WRIGHT PATMAN completely reversing his position of 3 years ago on the need for the gold cover with respect to the Federal Reserve notes explains his current position in the following words:

Hindsight tells us it would have been preferable to have removed the gold cover from the currency at the same time we removed the cover from the Federal Reserve bank deposit liabilities in 1965. In 1965 our payments balance was rapidly approaching equilibrium, but the deficit was only $1.1 billion. At that time it was not foreseen that our military obligations to friendly nations would dramatically increase our balance-of-payments deficit and subsequent gold outflow . . . (Congressional Record, February 20, 1968; page 3496.)

My distinguished friend and colleague from Utah, Senator BENNETT, on January 26 addressed the Senate on removal of the gold cover. In this address, Senator BENNETT presented an excellent factual background and gave an especially good analysis of the issues and alternatives involved. Among other things he said:

Today our free gold balance is as low as it was at the time the gold was withdrawn from deposits. In other words, we have used the $5 billion which was intended to buy time and have not solved the underlying problems which brought about the necessity of the 1965 legislation and are now $5 billion in gold poorer and our international accounts are in worse shape now than they were then. (Gold Cover Hearings before the Senate Banking and Currency Committee; page 18.)

Senator BENNETT also pointed out that the 1965 Senate report accompanying the bill providing for removal of the gold cover from Federal deposits contained the following statement:

It is recognized by the administration in proposing this legislation and by the Banking and Currency Committee in recommending its adoption that the ultimate and more basic problem is to eliminate or minimize the large deficit in this country's international payments position that has persisted for a number of years and caused a drain in our gold reserves.

Mr. President, the foregoing excerpts are clear evidence that the promises of the administration mean little. Most of the economists of the country agree that the real remedies for our economic sickness are simply: to cut out waste and low-priority expenditures; to take direct and meaningful, long-range, not stopgap measures, to bring our balance-of-payments deficit into equilibrium; and to tax directly on a "pay as you go" basis for added costs of Government as they arise in times of crisis, such as the present Vietnam war abroad and racial violence at home. Though there is nearly unanimous agreement on the need for such action among our economic experts, some advocate putting first things last and last things first. I believe that removal of the gold cover, by and of itself, will do little to strengthen dollar confidence, either with foreigners or with our own citizens and, therefore, I prefer to put such removal into a "last thing" category. If the first things are accomplished first, it seems likely to me that gold could well start flowing again toward this country instead of away from it. Perhaps actual achievement of these first things might prove that gold cover removal, after all, is unnecessary.

Proponents admit that they cannot produce conclusive or even very persuasive evidence, other than their own conjecture, that removal of the gold cover at this time will do anything to stem the outflow of gold. Furthermore, they admit that though the special drawing rights plan for the International Monetary Fund is designed as a substitute for gold in the international monetary system, it is a long way from being accepted and adopted by the member nations.

Experts differ on what will happen if the gold cover is not removed. Some predict a crisis of unusual dimension.

There is no doubt that removal of the gold cover would give us time to get our house in order. But what assurance do we have that the time thus borrowed will be used to correct the root cause of our gold problem? Experience has taught us that the time borrowed 3 years ago by removing the $5 billion cover on deposits brought no relief from our basic problem.

If a crisis is inevitable perhaps it would be better to face it now than when our gold stocks are fully depleted. Perhaps we should stop selling gold while we still have a sizable gold stock.

Mr. President, I submit that it is a poor time to play guessing games or take irresponsible risks with the last remnants of our Nation's gold supply. So I ask—why take the chance, particularly without real proof that such action, at this time, is necessary or wise? Removal of the gold cover, in my view, without doing other things first, is quite precipitous and should be taken only as a last resort. For this reason, I intend to vote against S. 2857. Such vote will also serve as my protest against failure to take the other more pressing action first. This is the only way I know to protest against the inept fiscal policies which gave rise to our present predicament.

I am convinced that the administration recognizes what action is necessary to pull our Nation out of its economic quagmire but hesitates to tell the American people about it for fear that they will not understand.

Mr. President, when enough people understand the situation, particularly my colleagues in Congress and the fiscal and monetary managers of the administration, for it is a dual responsibility, I am confident that they will want to pursue what I consider to be the proper and orderly action. In my view, that action is as follows:

First, tell the American people, in terms they will understand, that we are in a serious financial crisis which can be and should be readily solved; that there comes a time when even rich nations, like rich people, must stop spending more than they receive in order to maintain sufficient economic health to buy the necessities of the future; and that some personal sacrifices will be necessary so that we can meet our present crucial foreign military and domestic civilian requirements with some semblance of economic stability. Most of our people are patriotic minded enough to welcome the opportunity to share in some personal sacrifice—it helps to salve their consciences for the "business as usual" complacency in which so many of us have been living while the few who are in the war or have relatives in Vietnam are making the hard sacrifice.

Second, act upon and pass the legislation proposed by my friend and highly respected colleague from Delaware, Senator JOHN J. WILLIAMS, known as the Balance-Payments and Domestic Economy Act of 1968, and designated as S. 2902.—CONGRESSIONAL RECORD, January 31, 1968, pages 1700–1704. This, to my knowledge, is the only realistic and positive proposal so far made which I believe our country so desperately needs at this time. It shines forth like the glimmer of a candle at the end of a tunnel of darkness. It makes sense out of the complexity, confusion and disarray that seems enmeshed in the gold cover question and its relationship to our monetary and fiscal policy. This is the safe road to take and the right road. Most of us know it.

LOOKING TO THE FUTURE: A NEW MONETARY PROPOSAL

Mr. HARTKE. Mr. President, I favor the bill before the Senate at this time, to remove the gold cover backing on the Federal Reserve notes.

There is no question that the United States is now facing a gold crisis and that the United States is now facing a dollar crisis. We have had crises at almost every turn, but that does mean you do not take whatever action is available, This is no substitute for affirmative action which Congress should be taking.

I was happy to see a few weeks ago that the official administration view had come to support my own proposal for repeal of the gold cover, as set forth in my bill, S. 1983, offered last June 21 and referred by unanimous consent to the Committee on Finance, with further reference to the Committee on Banking and Currency following its consideration there. Since the Finance Committee was occupied fully with other questions last year—including a good social security bill, which is overfinanced, unfortunately—no hearings were held then. Since the administration came up with its own bill, of course, the Banking and Currency Committee quite properly moved on the question.

The Finance Committee, however, did make its usual request of executive branch agencies for comment on my bill. Five days after its introduction, Chairman William McChesney Martin, of the Federal Reserve Board, responded with a prompt reply and stated flatly, "The Board favors enactment of the bill." In the meantime, he had publicly stated in a speech his agreement with my view that repeal of the gold cover must be achieved. I ask unanimous consent, Mr. President, that the Martin letter be printed at this point in my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, D.C., June 26, 1967.
Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of June 22, 1967, for a report on S. 1983, a bill to eliminate the requirement that the Federal Reserve banks maintain gold certificate reserves against Federal Reserve notes in circulation. The Board favors enactment of the bill.

Continued growth in the volume of Federal Reserve notes in circulation will necessitate a change in the gold certificate reserve requirement in the near future. Enactment of S. 1983 would free the United States' gold stock for use as an international monetary reserve—the principal function performed by gold today—and, in conjunction with continued strong efforts to achieve a sustainable equilibrium in United States' international transactions, would strengthen the international position of the dollar.

A technical amendment should be made, correcting the reference in line 7 of page 1; it should read "section 15" rather than "section 16."

Sincerely yours,
WM. McC. MARTIN, JR.

Mr. HARTKE. I might add that the relevant portion of Chairman Martin's speech appears in the CONGRESSIONAL RECORD, volume 113, part 13, page 17360, an advance copy of which the Chairman kindly provided me, in the knowledge that his address had a bearing on the gold cover proposal I had made.

Therefore, I am most happy that we have the opportunity before us now to concur in the action taken by the House of Representatives and to release some $10 billion of our gold now in useless dead storage in order that it may be used in international exchange operations. I realize, as I am sure everyone who has studied the question must, that this action is only a temporary poultice upon a long-festering and increasingly worsening sore upon the international financial body. But it is important because without action we endanger, despite its unquestionable soundness, the strength of the dollar in the world view because of misapprehensions as to our ability to maintain unchanged our commitment, our absolute commitment, to a policy which holds constant the dollar's value in terms of gold.

Let me make this clear. Our problem is not the strength of the dollar. Rather, it is the misconceptions of those who, even at this late date in our better understanding of world monetary mechanisms, cherish gold as a fetish rather than basing monetary values where they belong, on the Nation's productivity.

The fact that this is the proper approach, the one which is a part of all understanding of the current situation, is evidenced by history.

On the other hand, there is the reverse argument from history, equally valid, which our own experience of the depression reveals. Then the existence of a tremendous gold hoard did not influence the fact that there were 12 million persons seeking work and unable to find it. At a time when our total gross national product had fallen to $54 billion for the year of 1932—only about two-thirds of what we spend today upon the Defense Department alone—it was production we needed to make the economy sound, not all the gold in Fort Knox. That was useless. Value does not lie in gold, but in production of goods and services of monetary value. It does not sustain the dollar in international affairs, regardless of the delusions of gold speculators. Its disappearance as currency reserve backing will not in the least weaken the American dollar—a loss in our productive effectiveness alone can do that.

But I should qualify my statement somewhat. Gold can bring down the dollar, if we allow it to rule on false premises. Its freedom now for international settlements use will buy the period of time we need while international monetary arrangements are perfected. Then, and only then, we can afford to let the gold market set the price of gold freely. Otherwise, the gold market is allowed to dictate to the American dollar and to result in effect, in lesser or greater measure, in its devaluation.

I have been supporting these economic truths for a long time. In a hearing before the Banking and Currency Committee on balance of payments, I said on August 17, 1965, in words perhaps even more pertinent today than they were at the time:

So long as the international monetary system continues to function as presently, the No. 1 priority must be to maintain a dollar sound enough to be accepted by other nations as their store of value and in sufficient supply to act as a medium of exchange for an expanding free world economy.

Because the soundness of the dollar is of such crucial importance, clear understanding is necessary of the elements of that soundness.

It is not the gold in Fort Knox which provides the ultimate backing for the U.S. dollar, nor is it the balance of payments figures which supplies the final test of its soundness. The strength and performance of the American economy—unprecedented in history—constitutes the underlying foundation for the dollar's unique role among the currencies of the world.

The statement from the Bank for International Settlements, reported from Basel, Switzerland, yesterday following the meeting which Chairman Martin attended, was intended to be comforting. It indicated further the determination not only of the United States, but also of the other nations associated with us in international monetary efforts, to maintain the dollar precisely as it is, protecting not only ourselves but also the rest of the world from economic disaster which its devaluation, through changing the $35 per ounce historic price or succumbing to the gold myths which animate the hoarders, would without a doubt achieve.

We have seen the decline and devaluation of the pound sterling. The efforts of Britain to shore it up were unavailing—not because the false trappings of metallic equivalents for the pound failed, but because Britain's economy was in a slump which took the real value base away. The efforts of the British Government, and their acceptance by its people, to impose "austerity" as a prop for the pound was fruitless because it operated on a false premise. Curtailing use, curtailing imports, and the related measures undertaken could only in the end aggravate the problem and perhaps even hasten the pound's downfall by further weakening the nation's productive strength. I predicted as much to Prime Minister Wilson in London during a visit there immediately prior to the time this program was put into effect. I said at that time it would be a great program if it worked, that any program would be great if it worked, but I did not think this one would work.

Devaluation of the pound wreaked a great deal of havoc in the international monetary sphere, even though the vast majority of nations had long since replaced the pound as the international trading medium by the dollar. It is because the dollar is not only vital to us—admittedly, devaluation is for the moment beneficial internally, as it was to Britain—but particularly because the dollar is precisely the near-universal basis of foreign exchange today that we must protect not only ourselves but other peoples by shoring up for now the international system where central banks still tie themselves to gold.

The ultimate answer lies in reform of the world monetary system, to which I shall return in a few moments. But because this is involved and requires time, we have the responsibility which our leadership in the world's economy has willy-nilly bestowed upon us. That responsibility is to maintain the present system in fully operating condition while we work out its replacement.

This is why I say again, as I said to the Banking and Currency Committee nearly 3 years ago, in commenting on the balance-of-payments deficit which is at the root of our problems:

The threat to world prosperity inherent in an elimination of the U.S. balance of payments deficit has never been a sudden, worldwide liquidity shortage. Rather, it has been—and is today—the danger that a liquidity crisis for one country will blossom into a liquidation crisis for the world.

The reason should be obvious—that the dollar bears the burden under the situation now prevailing for maintaining the world's economic health. This we cannot at the moment change, although the efforts are well inaugurated and the principle involved in the Rio decision for special drawing rights—SDR's—has been accepted. We do not know whether the mechanism of the special drawing rights can be perfected and put to use during the period of time we can buy by removal of the gold cover.

Informed estimates say that it will take at least 2 to 5 years to achieve the so-called paper gold system. We conceivably may have to move faster than that. With the gold run of recent weeks, dating back to last November 18, and the devaluation of the pound, the fourth quarter of 1967 alone drained off more than three-quarters of a billion dollars in gold from our free reserves—$771 million, to be exact; most of that went to our 59 percent contributions to the international gold pool, which feeds the London wholesale bullion market. Informed sources indicate that not alone the speculators were in the market, that one of the principal buyers of the gold in that market was Communist China.

That gold pool, comprising the United States, Holland, Germany, Switzerland, Britain, Belgium, and Italy, maintains in the London market sufficient gold to meet all demands at a price which will not exceed $35.20 per ounce. It was established in 1961, and until last June France was also a member with a 9-percent contribution. Upon the withdrawal of France we assumed that share also, upping our portion from a straight 50 percent.

Last Friday there were rumors that other member nations wanted to quit the pool. Also involved have been pressures on the Canadian dollar and our own action in exercising our rights in the International Monetary Fund to draw from it $200 million. Because of the jittery nervous attitude engendered by the uncertainties felt in the gold market, much of it purely speculation with high stakes to be won if we should actually devalue the dollar in any manner, the calming statement from Basle announced in yesterday's press was most welcome.

The central banks contributing to the London gold pool—

Said that statement—

reaffirm their determination to continue their support of the pool based on the fixed price of $35 per ounce of gold.

Now our action to free the domestic reserve note gold cover, whose uselessness I discussed upon presentation of my bill last June, will give the added credibility of action to our words. Our determination to hold the $35 price is essential, and there is no doubt in my mind that we can do it—but not forever. The imbalance between monetary stocks of gold and amounts of gold mined in the world is growing steadily greater. In an uncontrolled market, gold would rise significantly. Eventually, the world must come to that, to the treatment of gold as just another metal, another commodity, to be bought and sold freely at whatever price the market sets. But that day cannot come until we have a system based on the true value of productive output rather than on the false value of a shiny yellow metal.

We are moving, as I have said, toward international monetary reform, or at least I hope so. I shall refrain today from discussing the impeding effect of our balance of payments deficit, except to say that so long as the dollar is available in the quantities needed for world trade—and this is achieved through our balance-of-payments deficit, a boon to other nations while a bugaboo for us—just so long will there persist an added disinclination to change the present system. It works, and that is a pretty good pragmatic criterion whether in economics or any other area.

I mentioned the Rio meeting at which the SDR's concept was agreed upon. But there is still much to be done before details are perfected and the negotiations of the Group of 10 are completed—as I have said, perhaps 2 to 5 years, perhaps even more. A further cabinet-level meeting—which presumably will draw our own Secretary of the Treasury—has been announced for Stockholm on March 28 or 29.

There delegates are expected to assemble a final agreement for creating the special drawing rights in the IMF. Another Group of 10 meeting, although not at the Cabinet level, was held last Friday in Paris, where observers expressed optimism that an agreement will come out of the Stockholm meeting. Certainly there are in this group others besides the United States who see the urgent need and who are working toward its fulfillment.

So far I have made two major points: one, that the first step now before us, removal of the gold cover, should be accomplished by the Congress through passage of the bill now before us; and two, that there is urgent need for international monetary reform, now begun but apt to be slow as it moves toward cutting the monetary ties of the world's major industrialized nations to gold. This process, of course, means cutting the international monetary ties to the dollar, and that process is impeded by the availability of dollars in the world economy through the considerable outflow of our adverse balance of payments. That undesirable condition for us, as I noted, appears under the present system as highly desirable and even essential for others.

It is worth adding—and this is a point I have made many times in the past—that among our other woes caused by Vietnam, the adverse balance-of-payments problem is high on the list of repercussions beyond the battlefield. As I wrote in the Saturday Evening Post last April 22 under the title, "Vietnam Costs More Than You Think":

To put it bluntly, Vietnam has ruined any chance we might have had for attaining equilibrium in our balance of payments. There has long been concern about our net outflow of dollars: In 1964 our deficit was $2.8 billion; in 1965, largely because of voluntary cooperation by large corporations, it was $1.3 billion. Secretary of the Treasury Henry H. Fowler and other Administration leaders encourage increased borrowing abroad by American firms to finance their foreign capital needs. We discourage tourists from going abroad in order to keep more dollars at home. But until recently there was curiously little official acknowledgement that, after all, Vietnam is the real culprit, for we are sending billions abroad to keep the war going.

It is high time that we put an end to this situation through putting an end to the Vietnam war through the earliest and most realistic kind of negotiations, for which the precondition is our willingness to inaugurate the needed reciprocal actions and reactions, with firm peace-minded initiatives.

But that is not the topic for today. The upshot of what I have been saying is that, given the existing conditions, we must stop permitting the central banks of other nations to call the tune for us. We must do all in our power, and we fortunately have a consensus among gold pool member nations that they will help us, to maintain unchallengeable the soundness of the dollar.

But since present conditions are not the answer, and since the proposal being worked over by the Group of 10—as must be the case when as many as 10 divergent views must be harmonized on any new and unexplored program—I conclude by making a suggestion for another supplementary approach.

Dominance in free world trade is exercised by only four nations—the United States, which is far and away the world leader, Canada, Britain, and Japan. A vast amount of the 80 percent or so of free world trade for which these four account is distributed among the four of them—Japanese trade with the other three, our trade in which our near neighbor to the north plays such a great role and with Britain and Japan, and so on.

As I have said, any arrangement to be developed by the Group of 10 is complicated by the very fact that it involves 10 nations in decisionmaking and therefore the decisions are slow to come. For four—for the four whom I have named, three of whom are English-speaking nations and for the fourth of whom English is the second language and nearly universal today—for these four, agreement on an interim structure acceptable to them only involving the "paper gold" principle, is both feasible and logical, and should be pursued.

Therefore I propose that we begin immediately to meet with the responsible monetary authorities of these other three as an adjunct to the Group of 10 and IMF negotiations. To have an earlier agreement by a Group of Four such as this, by whatever name it might be called, might demonstrate to the skeptical the feasibility of the "paper gold" concept. But this would be merely a side bonus which would nevertheless advance the general world agreement.

The great benefit, however, would be that which obviously would come from involving, at a presumably much earlier date, the four greatest trading nations of the world in an arrangement which for the first time would cut the ties to gold in their dealings with one another. These benefits include freeing a good deal of our diminishing gold supply for use among the other nations of the world during the interim period while the IMF plan is perfected; easing greatly the pressures upon that gold, which today we doubtless will see augmented in availability for monetary use; strengthening the dollar by that very process.

The United States is the leader, and the United States must lead. As I said, it is time we stopped letting the central bankers of other countries call the tune for the great United States of America. We are able, with our power in this area, to lead our colleagues and to develop among ourselves, with these three who are probably the closest to us as well as being our best trading partners, ways and means to reach our ends.

Mr. President, I offer this proposal here today in all earnestness and in the hope that it will spur our proper officials and this administration to a fruitful new exploration of the possibilities now open to us to advance without awaiting the conclusion of the Stockholm meeting and its successors. In a familiar phrase, "Let us begin." The hour is late, but after the late hour comes the dawning.

I support the bill which is before us.

AMENDMENT NO. 612

Mr. CHURCH. Mr. President, I send to the desk an amendment in the nature of a substitute to the pending measure and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

Strike out all after the enacting clause and insert the following:

"That the second proviso in subsection (c) of section 11 of the Federal Reserve Act (12 U.S.C. 248 (c)) is amended—

"(1) by striking out '25 per centum' and inserting in lieu thereof '20 per centum'; and

"(2) by striking out '20 per centum', each place it appears, and inserting in lieu thereof '15 per centum'.

"SEC. 2. The first sentence of the third paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 413) is amended by striking out '25 per centum' and inserting in lieu thereof '20 per centum'.

"SEC. 3. The first sentence of the fourth paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 414) is amended by striking out '25 per centum' and inserting in lieu thereof '20 per centum'."

Mr. CHURCH. Mr. President, to give concrete effect to my opposition to legislation removing the gold cover from Federal Reserve notes, I submit an amendment to S. 2857 which would preserve the gold cover but lower the percentage from the current 25-percent figure to one of 20 percent. By this means I would make allowance for the immediate crisis facing the dollar, and maintain pressure on the administration to undertake the essential reductions in our foreign spending policies which alone can lead to an end to our persistent balance-of-payments deficit.

Perhaps I should take as my basic text the closing words of Prof. Fritz Machlup's testimony last month before the Joint Economic Committee. The renowned Princeton authority said:

My only regret is about the single-mindedness with which the experts have devoted themselves to solving the problem of liquidity, leaving the other two problems, of adjustment and confidence, unsolved and almost untouchable. This single-mindedness has left the international monetary system in a terrible mess.

In our present predicament, we seem to be apathetically accepting that "mess" and moving toward approving a temporary palliative which stands in isolation from any valid program for correcting the fundamental causes of our difficulties.

I say that with confidence drawn from experience. Just 3 years ago, we acted in this same field to repeal the gold certificate reserve requirement against Federal Reserve deposit liabilities. That move was not followed by greater international confidence in the strength of the dollar; on the contrary, it resulted in even less confidence.

Three years later, the administration is acknowledging that the action then was only a temporary expedient. Yet, we are again faced with another expedient unaccompanied by any comprehensive and believable program to remedy the fundamental disequilibrium in our international accounts. For it is clear that the highly restrictive nature of the announced measures to correct the payments deficit and the mounting congressional opposition to those measures deny them any status as an effective policy.

At the same time, there is no convincing evidence that we in the Congress have as yet come to grips with the full dimensions of the problem. Prof. Milton Friedman, in noting that removal of the gold cover is not basically going to improve our balance-of-payments position, also said:

The elimination of the gold cover offers an occasion for the Congress to give clear guidance to the men who run our monetary system, to provide an effective restraint to replace the ineffective gold cover.

Much as we may dislike such admissions, the fact is that no clear guidance has come from the Congress; nor does it seem in the offing.

Meanwhile, as underscored by events of the past several days, foreign confidence in the value of the dollar continues to ebb and to encourage great speculative purchases of gold. Trips abroad for consultation by our financial and monetary officials appear to bring little benefit and result in further damage to the residue of confidence in the dollar abroad. It is just as clear, if not clearer, to foreigners as to Americans, that this country is not boldly confronting its payments and budgetary difficulties but, quite frankly, continues to temporize.

Some say that we can postpone the hard adjustments, that once we have removed the present cover, we will have time enough to search for basic remedies, while our remaining gold continues to drain out into the hands of foreign creditors. But half the gold is already gone. And the other half will disappear, at an accelerating rate, once the statutory cover is removed. Then we shall face the devaluation of the dollar, with no gold left to fall back upon.

Some argue that we can take our time and watch another $4 or $5 billion worth of gold flow out of our accounts before becoming alarmed to the point of considering fundamental remedies.

I cannot agree with that position. I think we have temporized long enough.

Mr. President, "business as usual" just cannot be the watchword for a nation faced with one of the most critical periods in its history. And yet, in the international field, despite all the changes and new perils brought to light over the past few years, we seem dedicated to carrying on as before. We are overcommitted and overextended abroad, yet we seem unable to wrench ourselves away from an addiction to the status quo.

I think I can predict at least the minimum of what will happen if we approve the bill before us. Gold will continue to drain away, the administration's distastefully restrictive stop-gap measures to halt the balance-of-payments deficit will not suffice. Even now it is clear that all the measures will not even be approved by Congress. So we will be moving toward the summer political conventions without a coherent and workable payments and budgetary policy. Who among us, then, will be striving wholeheartedly and urgently to construct such a policy with the election monopolizing their time and attention? A far grimmer forecast could easily be made without unduly exercising one's imagination, but even a conservative prophecy of events in the coming months is serious enough.

Mr. President, my intention in submitting this amendment to reduce the gold cover from 25 to 20 percent is to give the Senate an opportunity to keep the pressure on so we can get the underlying corrections which are essential if we are to solve the basic problem, if we are finally to correct the persistent deficit in our international payments. It is quite simply a means of trying to impose discipline upon our policymakers so that they can avoid the temptation of playing Micawber. As Professor Friedman has said:

The discipline must come in the United States. The discipline must come from internal policy. It cannot come from abroad.

And, Mr. President, I would add that it cannot come from wishful thinking, or from the wheel of fortune.

Mr. President, I ask the Chair if the pending business now before the Senate is the amendment I have just offered?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOMINICK. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOMINICK. I thought the amendment of the Senator from Texas [Mr. TOWER] was the pending business.

The PRESIDING OFFICER. The amendment of the Senator from Texas [Mr. TOWER] was not offered by him.

Mr. CHURCH. Mr. President, the Senator from Colorado wanted to get the floor. He has obliged me by allowing me to speak before him. I am not going to delay the Senator further. I would like to ask the manager of the bill if, at the appropriate time, he would oblige me by asking for the yeas and nays on my amendment.

Mr. PROXMIRE. Mr. President, I shall be glad to do so. I would like to engage in a brief colloquy with the Senator, with the sufferance of the Senator from Colorado.

The Senator from Idaho has made, as usual, an eloquent and persuasive speech, but what interested me is that the Senator from Idaho quoted two international authorities. One was Prof. Fritz Machlup, of Princeton, and the other was Prof. Milton Friedman, of the University of Chicago. Professor Machlup testified on this gold cover issue, as well as on other aspects of the problem before the Joint Economic Committee. Professor Friedman testified on this question before the Banking and Currency Committee. Both of these gentlemen testified in favor of the legislation. They both thought it essential in the national interest. They both thought it necessary if we are going to prevent a further run on gold. I do not think there is any feeling on the part of either Professor Friedman or Professor Machlup that the bill should be compromised as the Senator from Idaho proposes. I think the Senator was not referring to the thrust of their position on the bill, but to some other problem.

Mr. CHURCH. The aspect of their position to which I was referring is their recognition that we must come to grips with the underlying problem presented by the continuing deficit in our balance of payments. I have expressed my opinion that we will not come to grips with that underlying problem, unless we keep the pressure on the administration. I think it would be a serious mistake to completely remove the gold cover, so that the balance of our gold is exposed to the claims of foreign creditors, allowing the rest of it to be drained away, only then to be faced with a much more aggravated crisis for the dollar.

A better way, it seems to me, is to recognize that by removing this cover only partially, the administration will be obliged to undertake that reduction of foreign expenditures which will be necessary to correct the deficit in our balance of payments, and if they fail to do that, they must then come again to Congress and ask for a further removal of the cover. This would permit a continuing legislative oversight and the exertion of a continuing legislative pressure on the administration to make the changes which are necessary if this problem is to be really solved.

Mr. PROXMIRE. I understand what the Senator says. I do not think there is any question that many other members of the committee feel the same way, that the administration has not to date come forward with a program adequate to cope with the very significant nature of the problem, and that we should have a more comprehensive program. We have to recognize, as the Senator from Maryland has pointed out, that our troop commitments abroad are going to constitute a steady drain, far beyond our financial capability, if they are carried on indefinitely.

I would like to bring to the attention of the Senator from Idaho a letter which the committee received from the Chairman of the Board of Governors of the Federal Reserve Board, William McChesney Martin, and the Secretary of the Treasury, Henry Fowler. They addressed themselves to the precise kind of question the Senator from Idaho has in mind. Let me read two paragraphs from the letter:

> In connection with the pending legislation for removal of the gold cover, various suggestions have been made that the Congress should reduce the requirement to 10, 12½ or 15 percent.

The Senator from Idaho proposes 20 percent—

> rather than eliminating it completely. We would like to state very strongly that to compromise in this manner instead of acting decisively to eliminate the gold cover could have serious repercussions on international confidence in the dollar.
>
> Reduction rather than elimination of the requirement would raise the question already posed in some quarters as to whether we really do mean it when we say our full gold stock stands behind our international commitments. It is far better to allay such fears once and for all. That is the basic purpose of the proposed legislation. We believe it would be a major mistake to include qualifying amendments that would detract from this purpose.

I think what the Secretary of the Treasury and the Chairman of the Federal Reserve Board had in mind is that this amendment, if enacted by the Senate and by the Congress, would have the effect of precipitating a greater demand for gold. As we know, from 1960 to 1965, we averaged a loss of more than $1 billion a year in gold. This could easily be stepped up. In the opinion of these experts, who are the outstanding experts in the Government on this issue, it would be a matter of only a few months before the U.S. gold stock dropped to 20 percent of our Federal Reserve notes if we set such a strict limit, the amendment would aggravate our gold loss. It would signal the position of the Congress that it is not going to back up the administration beyond the extent of the $1 or $1½ billion the amendment would permit.

Mr. CHURCH. Let me say to the Senator, for whose opinion on monetary matters I have great respect, that the argument he has just quoted leaves me singularly unimpressed, for the reason that if the Congress partially lifts the cover in order to free another several billion dollars worth of gold, it certainly cannot be construed as an act indicating our unwillingness to continue making the dollar convertible for gold at the present rate. It is simply the recognition that we are running out of uncovered gold, and therefore must make part of the covered gold available to meet current demands.

How this can be construed to mean the very opposite, as these experts have attempted to do, strikes me as being a very forced argument.

The second thing I would say is that the Congress, for many years now, has attempted to exert some influence upon the general spending of this Government by imposing a ceiling on the national debt. The same argument could be made that it would be better for us to eliminate the ceiling entirely and thus avoid the embarrassment to the administration of having to come back to Congress again and again to ask for an increase in the ceiling. But the Congress has felt that this pressure is good; that if we cannot balance our budget, then it ought to suffer the penalty of recurrent upward adjustments in the debt ceiling.

If that applies to the debt, I think it applies with equal force to our gold supply and the integrity of the dollar. The only way we can firm up the dollar, in the long run, is to reduce our expenditures abroad, and one of the biggest causes of our continuing gold drain has to do with the deployment of so many American troops overseas. The administration is unwilling to change its attitude on the extent of our overcommitment abroad, which, in my opinion, is leading this country to disaster.

Those of us who feel this way ought to keep the pressure on. The worst thing we could do would be to pull off the gold cover entirely, and thus permit the draining away of the balance of our gold, for that will happen, and then come to the final crisis, at the end of the road, when there is no gold left to insure the integrity of the dollar. Then we would have no alternative but drastic and precipitous retrenchment abroad, or face the calamity of a devaluation of the dollar.

How much better to keep the pressure on, while time remains, to do the basic things that have to be done. They will not be done, in my judgment, as long as there is a large supply of gold to dip into, postponing from year to year the final reckoning.

Mr. PROXMIRE. Mr. President, if the construction of those around the world who are international bankers and speculators were the same as those of the Senator from Idaho, I think the administration would be wise to support the amendment, and we would be wise to do the same. But this would not be their construction. The fact is that this is entirely different from the situation we have on the national debt. If we only go one-fifth of the way, if we go to 20 percent, then we will be telling the world we do not wish to permit more than $1½ or $2 billion of additional gold outflow. After that point, the speculators will assume, we will then suspend the redeeming of dollars in gold. And we will then devalue the dollar. This is the only reason why any speculator will buy gold.

He suffers a loss in doing so, because he loses the interest the dollar investment pays; he has to pay insurance on the gold, and so forth. Therefore, the construction that it would seem to me he would put on this hesitancy on the part of Congress, this insistence that we go only from 25 to 20 percent, would be that this is a step along the way toward devaluation. That we are eventually going to arrive at that point, and that therefore he better get rid of his dollars and get his gold; and under such circumstances it would be only a matter of months before we lose the gold which the Senator very sincerely says should be made available.

Mr. CHURCH. I thank the Senator very much. I wish to say only one further word, and then I shall yield the floor to the Senator from Colorado.

If we want to build international confidence again in the dollar, we have got to take those measures necessary to rectify the current deficit in our balance of payments. International confidence in the dollar will not be affected, one way or the other, on the basis of whether we release $2.5 or $3 billion worth of gold to protect the dollar during the current crisis, or whether we take the cover off entirely. As long as the administration fails to reduce foreign spending sufficiently to correct the fundamental problem, there is going to be dwindling confidence in the dollar abroad. That is what is presently creating the run on the dollar, and that condition will not be eliminated until the administration ends the deficit in our international balance of payments.

It simply does not impress me to say that foreign confidence in the dollar will be destroyed, depending on whether we uncover only a portion of the gold, or uncover all of the gold. The foreign attitude basically relates to budgetary deficits in this country, and our lavish foreign spending, which perpetuates the imbalance in our international accounts. Until the administration is willing to address itself to these problems, it will continue to be faced with the problem of dwindling confidence in the dollar abroad.

My amendment is directed toward placing pressure on the administration to come to grips with these problems. Until that happens, as sure as I stand here on the floor today, we will continue to see our gold drained away until none remains. Then, the crisis that faces us now will be pale compared to the crisis that will face us when there is no further gold as insurance to fall back upon, when there is no further gold left in the Treasury to redeem the dollar.

I believe that this is a prudent amendment, and I hope the Senate will agree to it.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILL

Messages in writing from the President of the United States were communicated to the Senate by Mr. Geisler, one of his secretaries, and he announced that on March 11, 1968, the President had approved and signed the act (S. 1227) to provide that a judgment or decree of the U.S. District Court for the District of Columbia shall not constitute a lien until filed and recorded in the Office of the Recorder of Deeds of the District of Columbia, and for other purposes.

JOINT REPORT ON URBAN TRANSPORTATION ORGANIZATION—MESSAGE FROM THE PRESIDENT

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Government Operations:

To the Congress of the United States:

In accordance with the requirement of Section 4(g) of the Department of Transportation Act, I am forwarding for the information of the Congress a joint report and recommendations by the Secretaries of the Department of Transportation and Housing and Urban Development on the logical and efficient location of urban mass transportation functions in the Executive Branch.

This report contains a valuable summary of studies and deliberations conducted by the two Secretaries over the past year. Reorganization Plan 2, which I transmitted to the Congress on February 26, 1968, will carry into effect those recommendations requiring action by the Congress.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *March 12, 1968.*

ORDER FOR ADJOURNMENT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until 12 o'clock noon tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

ELIMINATION OF RESERVE REQUIREMENTS

The Senate resumed the consideration of the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890.

Mr. DOMINICK. Mr. President, let me say to the Senator from Idaho that I was most interested in his speech. This is the second time today—and I think it very much worthwhile—that we have brought out in the debate the fact that our loss of gold is not caused by the gold cover; our loss of gold is caused by an imbalance in payments and by deficit spending at the home level, and until we correct that, it does not make much difference what we do with the cover; we are going to continue to lose gold.

Mr. President, I ask unanimous consent that I may yield to the Senator from Arizona [Mr. FANNIN] without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 608

Mr. FANNIN. Mr. President, I appreciate the courtesy of the Senator from Colorado in yielding.

I send to the desk an amendment to the pending bill (H.R. 14743) and ask that it be printed and lie on the table.

The PRESIDING OFFICER. The amendment of the Senator from Arizona will be received and printed and will lie on the table.

Mr. FANNIN. Mr. President, my amendment would not affect the bill under consideration. It would not affect the withdrawal of our Nation's gold as a reserve for Federal Reserve notes outstanding.

It would simply call on this body to thoroughly investigate the gold policies of our country any time our gold reserves dip as low as $10 billion.

It is obvious from the comments made here today that authorities differ on what the impact of the bill we are considering will be.

It is intolerable that the greatest nation on earth should simply let its gold supply dwindle to nothing without at some key point thoroughly studying its gold policies.

As late as 1965 when the gold reserve requirement was removed for Federal Reserve bank deposit liabilities, there were free gold reserves of $6 billion which our international money managers felt would be sufficient to meet our money supply needs and our international commitments for some 10 years. It took just 3 intervening years during which the administration did not correct our imbalance of payments to reach another crisis.

I would remind this body that our present gold cover law does not prevent the sale of gold by the United States once the Treasury gold stocks are reduced to the 25-percent minimum. Instead the law provides penalties, in the form of interest rate increases on the Federal Reserve rediscount rate, for any violation of the 25-percent statutory reserve requirement. Thus, our Treasury in effect is able to meet the demands of foreign creditors until the gold stocks are depleted—the question is whether or not our Government is willing to undergo the disciplinary measures which the present law requires.

Finally, removal of the gold cover will do nothing to alter the critical balance-of-payments situation. While the penalty of increased interest rates would likely prompt a demand by the American public for austerity in the administration's extravagant foreign aid programs, removal of the gold cover will only increase the likelihood that excessive balance-of-payment deficits will continue.

This is a critical and complex question. My amendment simply calls on this body to thoroughly study it.

Mr. DOMINICK. Mr. President, I congratulate the Senator from Arizona. It seems to me that his amendment is extremely appropriate. Since we are considering the House bill rather than the Senate bill, and the House bill did not provide for a report from the Treasury or a study of any kind, I believe this amendment has great merit and should be agreed to.

Mr. FANNIN. Mr. President, I thank the distinguished Senator from Colorado. I am especially appreciative because of his vast knowledge in this field. He has spoken many times on the floor of the Senate regarding the sort of situation which we now face, and I certainly congratulate him for the action he has taken.

Mr. DOMINICK. I thank the Senator from Arizona.

Mr. President, I ask unanimous consent that I may yield at this point to the Senator from Rhode Island [Mr. PELL] without losing my right to the floor.

The PRESIDING OFFICER. Without

objection, it is so ordered. The Senator from Rhode Island.

DR. ALBERT L. MIDGLEY: RHODE ISLAND'S DENTIST OF THE CENTURY

Mr. PELL. Mr. President, it is my great privilege to call the attention of the Senate to the life and achievements of a distinguished citizen of my State, the late Dr. Albert Leonard Midgley, who was known in our State's dental profession as Rhode Island's "dentist of the century."

Mr. Midgley was singularly deserving of this title. His career of service to his State and Nation spanned the first two-thirds of this century and left an impact which will surely be felt long after the year 2000. This is especially true since he devoted so much of his life to elevating and establishing national standards of excellence in his profession. He taught for 14 years at the Harvard Dental School, where he was graduated with honors in 1901. And he served as founder and president of the American College of Dentists and president of the Dental Education Council of America.

Dr. Midgley also managed to devote much attention to community needs in our own State. He was instrumental in organizing dental facilities for the needy and for children. He was an active churchman, a devoted family man, a friend to many and withal an exceptional citizen. In token of his many accomplishments, the Rhode Island General Assembly on February 2 passed a resolution of appreciation and sympathy on the occasion of his death. I ask unanimous consent that this resolution be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PELL. Mr. President, it is a true satisfaction and honor for us in public life to be able to salute the works of citizens who have made such a mark and achieved so much as did Dr. Albert Midgley. His record of achievement stands as an inspiration and challenge to all who follow him and gives special meaning to much of the work which we do here in the field of health and welfare. It is an especial honor for me to salute him at this time, because several members of his family are present in Washington today, including his three daughters, Miss Helen Midgley, Mrs. William J. Gilbane, and Mrs. J. V. Hughes, and his two grandsons, Mr. Albert Engelken and Mr. Richard Engelken. They symbolize the proud tribute which our State has rendered for one of its most illustrious citizens.

I thank the Senator from Colorado.

EXHIBIT 1

SENATE RESOLUTION 320

Resolution proffering sincerest sympathy and regret upon the death of Dr. Albert Leonard Midgley

It can truly be said of Dr. Albert Leonard Midgley, "he lived a full life." In his journey through eighty-nine years of mortality, he marshalled his talents and chartered his gift of time so they would best serve the honored precepts by which he guided his life—service to God and Country; love of family and mankind.

Dr. Midgley attended Brown University and graduated with honors from Harvard University Dental School in 1901. He served in World War I as a lieutenant-commander in the Dental Corps of the U.S. Naval Reserve. During this time he was a consultant to the U.S. Public Health Service and worked with the Office of the United States Surgeon General.

In addition to a practice which spanned sixty years, Dr. Midgley devoted himself to the teaching of dentistry and the improvement of dental techniques and standards. He was a founder, secretary and past president of the American College of Dentists and received its highest recognition, the William John Gies Award for outstanding service in dental education. Dr. Midgley was instrumental in placing dental education exclusively under university control and was president and secretary of the Dental Educational Council of America for nineteen years.

He served as president of the Rhode Island Dental Society and the National Board of Dental Examiners, established the Dental Students Register providing statistical data to dental schools, established a dental clinic at St. Joseph's Hospital, was instrumental in organizing the Joseph Samuels Dental Clinic for children, organized the Providence Dental Guild for free service to indigent and chronically ill, and taught at Harvard Dental School for fourteen years.

It was a fitting tribute that in 1959 Dr. Albert Leonard Midgley was honored by the Rhode Island Dental Society as Rhode Island's dentist of the century.

Dr. Midgley shared his knowledge and experience with others in all his endeavors. He was a prolific writer and widely published in dental publications. His talents as pianist, photographer, philatelist and envied rose grower, brought him the greatest pleasure when they were enjoyed by others.

Despite a busy professional life, Dr. Midgley always found time to offer his services as an active church layman. He was a charter member of St. Sebastian's Parish, a church trustee for more than thirty-five years and in 1932 served as chairman of the Catholic Charities Fund Appeal.

Throughout his life Dr. Midgley was above all else a devoted husband and father and always considered the interests and welfare of his family to be a prime concern. His kindly manner and sincere regard for his family, friends and everyone he knew are well remembered.

Dr. Midgley used his gift of a long life to serve the community, and his many accomplishments continue to be of benefit to the welfare of the people; now, therefore, be it

Resolved, That the senate of the state of Rhode Island and Providence Plantations in deep appreciation of his contributions express sincere sympathy and regret upon the death of Doctor Albert Leonard Midgley; and be it further

Resolved, That the secretary of state be and he hereby is authorized and directed to transmit a duly certified copy of this resolution to his family.

Attest:

AUGUST P. LA FRANCE,
Secretary of State.

ELIMINATION OF THE RESERVE REQUIREMENTS

The Senate resumed the consideration of the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890.

Mr. DOMINICK. Mr. President, for the RECORD, and to be sure that we know exactly what we are dealing with, it seems to me that we should start with the fundamentals.

The first fundamental is that we are trying to repeal a section of the Federal Reserve Act and the Gold Reserve Act which requires that we maintain 25 percent of gold behind the value of the total amount of the Federal Reserve notes that have been printed and circulated around the country. And unless we have that amount of gold, it puts an automatic brake on the amount of Federal Reserve notes that can be printed. This thereby creates some kind of a mechanical standard by which we can determine how much money will be printed. And it avoids, it seems to me at least, printing press money.

Mr. President, this is not my first effort in this field. When I was on the Banking and Currency Committee back in 1963 and 1964, I received permission from the chairman of that committee to go abroad for an 8-day period and discuss with the finance people of England, France, Switzerland, and Italy the problems that we were encountering in the value of the dollar and the outflow of gold.

During that process I talked to the central bankers in each one of those countries. I also talked to as many of the private finance people as I possibly could. In addition, I talked with our own Treasury people, our ambassadors, and other people to whom I had introductions in an effort to find out from them what they thought we should do in order to strengthen the value of the dollar which, after all, is not only of enormous importance in our own country, but is also one of the major stabilizing influences in the financial world—both in Europe and in other areas.

I think it might be helpful in this process if I were to read from the report which I had printed at the conclusion of my trip. As I say, this was from July 22, 1963, to August 1, 1963.

I start out with the background. I say:

With many others, I have been increasingly disturbed over our continuing balance of payments deficits and the continuing losses in our gold reserves.

With the invaluable cooperation and consent of the chairman, Senator Robertson; the subcommittee chairman, Senator Clark, and the ranking Republican member, Senator Bennett; I arranged through the State Department and through some personal contacts to discuss the problems noted above privately and informally with Treasury attachés, the respective Ambassadors, some private commercial interests, and officers of the central banks in England, France, Switzerland, and Italy. I have retained in my file the names of all with whom discussions were held, and will be glad to make these available to any member, but because of the nature of the talks and this report it would be inappropriate to list them here.

At the outset, it might be helpful to set forth the dimension of the problems involved. Under the executive department's policy decision issued in 1934 foreign central banks may redeem their dollar holding in gold held in our Treasury at a rate of $35 per ounce. Obviously if gold in the world market is worth more than $35 per ounce, it is advantageous to redeem dollars in gold.

A printed tabulation in the report contains a list of the gold and dollar holdings of various countries and international organizations as of March 1963. At the end of March 1963, the total potential claims against our gold exceeded

$25 billion. Against this amount we then had $3.8 billion of free gold reserves over and above the amount we needed to back the currency.

As of June 30, 1963, the comparable holdings held by foreign countries and international organizations were $25.8 billion of gold, and in free gold reserves available to secure foreign dollar holdings there was only $3.4 billion. In other words, our free gold reserves went down as the claims against our gold had gone up.

As I have said, I tried to find out from people overseas what they thought we should do to strengthen the dollar and whether this would reduce the outflow of gold from our country. On page 3 of the report I stated the conclusions and recommendations that they had related to me.

First of all, they expressed vigorous opposition to any devaluation or reevaluation of our dollar. They did not want to have the price of gold changed because they thought that would create an enormous impact in the international monetary circle.

It was recognized by every one that I talked to that there was an urgent need to correct our balance-of-payments deficit. This was 5 years ago that we are talking about. We had a balance-of-payments deficit then, and we have a worse one now.

The proposed investment tax which the President—President Kennedy at that time—had suggested, just before I went overseas, was, they said, badly timed, badly announced, and ineffective, especially after the Canadian Exposition had been announced. They said that the increase in the Federal Reserve rediscount rate instituted by the Federal Reserve was helpful but probably would not cure the long-range problem.

Most of all, and without exception, they said that the one thing we needed to do was to balance our budget or to bring it close enough to balance at the domestic level so that there would be increased confidence overseas and so that we would put a brake on the inflationary cycle which that spending created.

Mr. TOWER. Mr. President, will the Senator yield for a question?

Mr. DOMINICK. I yield to the Senator from Texas.

Mr. TOWER. Mr. President, actually the entire question of the lack of confidence really started with the serious doubts that the foreign financiers had about our national fiscal policy.

Mr. DOMINICK. The Senator is correct.

Mr. TOWER. It had nothing to do with the amount of gold reserves that we had available to make our dollars convertible.

Mr. DOMINICK. The Senator is 100-percent correct, and that is why it seems to me that the proponents of the bill are emphasizing the wrong things.

Mr. TOWER. It would be treating a symptom rather than the disease.

Mr. DOMINICK. I usually say that it is hiding the blood rather than closing the wound.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield.

Mr. CARLSON. Mr. President, I had not intended to get into the discussion of this particular point. However, the Senator referred to the balance-of-payments deficit which is a problem.

The deficit in 1967 was approximately $3.7 billion, and in 1966 there was a deficit of $1.35 billion according to the information I have. I have checked on some figures as to the cause of that deficit. Several things are involved in this.

If my information is correct, the deterioration in the balance-of-payments situation for the full year of 1967 was due to several factors. One of them involved the exposition in Canada. The exposition in Canada in 1967 increased the tourist deficit by at least $350 million based upon the figures I have.

Second, the British liquidation of the U.S. securities was accountable for an additional $560 million.

We had a copper strike that had been going on for months and is still on. While these figures are not too recent, that strike cost at least $250 million. The figure is probably $300 to $400 million at this time, but it was $200 million at the time I got this table. I understand that the strike has not been settled as yet, and it is still costing us money in the balance of payments.

Mr. DOMINICK. Let me say on that very point that I have been informed that by virtue of this strike, we are now importing $100 million worth of copper each month. If that is figured on a 1-year basis, it is $1.2 billion, as I figure it, over the period of a year, that we are sending out in order to import copper, while the President takes no action to settle the strike, and while he is proposing a tax on the American people which does not even equal this amount in terms of the tourist return that we will get for reduction in outflow because of the tourist tax.

Mr. CARLSON. I completely agree with what the distinguished Senator from Colorado has said about the copper strike and how it is affecting our balance of payments.

However, in addition to the copper strike, as I mentioned, the British liquidation of U.S. securities drained $560 million.

Our people who visited the exposition in Canada—we were very happy about their doing so—took $350 million of the balance of payments. In addition, we have the Canadian automobile agreement, which caused a deterioration of $118 million.

We have the Vietnam foreign exchange expenditure, which increased by $500 million.

In addition, errors and omissions of several other items total $700 million. So, although we are talking about balance of payments, many items enter into the problem, and we do not seem to be getting at the source of the problem. We are concerned about stopping travel, but many other items enter into this picture.

I believe the Senator from Colorado is making an excellent statement.

Mr. DOMINICK. I appreciate the support of the Senator from Kansas, and I completely agree with him.

It is interesting to note that the Senator from Idaho and the Senator from Texas said much the same thing. Several other Senators, in the process of this discussion, commented on the same problems; namely, that we are not really getting at the cause of our outflow by simply removing the gold cover. All we are doing is making more gold available for people overseas to grab, while the value of our dollar domestically goes down and down.

Mr. LAUSCHE. Mr. President (Mr. TYDINGS in the chair), will the Senator yield?

Mr. DOMINICK. I yield.

Mr. LAUSCHE. Just prior to being asked to yield the floor, the Senator from Colorado said that the deficit operation was one of the real evils to which we should direct our attention.

Mr. DOMINICK. The Senator is correct.

Mr. LAUSCHE. I call the Senator's attention to the fact that in the matter of imbalance in payments, as long ago as 1961—approximately 7 years ago—10 nations got together and formed a pool of $6 billion to implement the hard money and gold supplies that the International Monetary Fund had available to stabilize currency around the world.

Moreover, at that time our Government was begging foreign debtors to advance payments on their debt so that we would in some measure cope with the problem of the imbalance in payments.

On January 28, 1965, a bill was presented to the Senate by former Senator Robertson, removing the gold support on immediately demandable deposits in the Federal Reserve System.

The point I am attempting to make is that not only as early as 1961, but also as early as 1957 and 1958, this specter of what was happening to the gold was hanging over the head of the U.S. Government.

Mr. DOMINICK. The Senator is correct.

I recall that I obtained the floor during the debate on that bill and offered an amendment so that we would not take away all the gold reserves behind the Federal Reserve deposits. I offered 20 percent, as Senator CHURCH is doing now, instead of 25, and the Senator was kind enough to support my amendment at that time.

Unfortunately, we could not impress it upon enough people. We just did not have the horsepower, as they say, to get this done so that we could require the administration to start taking steps to correct the real problem we have, which is the balance of payments and the fact of our unbalanced budget.

Mr. LAUSCHE. Does not the problem confronting us now result from the fear of foreign creditors of the accelerated depreciation in the purchasing power of the dollar that they expect will happen in the United States?

Mr. DOMINICK. The Senator is correct. That was the point in my reading my report of 1963, which resulted from direct conversations with both private financial and central bankers overseas.

Mr. LAUSCHE. Mr. President, the removal of the gold cover on the Federal currency in itself will not solve our problem. It may act as a salve or an ameliorative for a brief period. It is generally recognized that more than one thing must be done. There must be a curtailment of expenses in fields where they can be curtailed.

Mr. DOMINICK. I agree completely with the Senator from Ohio.

This is one of the reasons why I hope we can get the amendment of Senator TOWER, Senator HICKENLOOPER, and myself adopted, so that we will have time within which to do this. It will give us approximately 2 years, according to our estimate, to be able to change the monetary policy of this country so that we can start getting things back in balance and create some value again for our dollar, instead of having it constantly depreciate.

Mr. LAUSCHE. I contemplate voting for one of these measures, but I anticipate that two other measures will have to follow—one, the curtailment of expenses where it can be done; two, the imposition of a surtax, provided we begin curtailing expenses first.

Mr. DOMINICK. I thank the Senator. I could not agree with him more.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. DOMINICK. I am happy to yield to the Senator for a question.

Mr. ALLOTT. Only for a question.

Mr. DOMINICK. I say that only because I know that the Senator has an hour's speech.

Mr. ALLOTT. I believe it will extend a little beyond an hour. I have no intention of infringing on the Senator's time.

The Senator well remembers, and has just referred to, the debate in 1965, when we removed the gold cover from the Federal Reserve demand deposits. At the testimony leading up to that bill, Secretary Dillon testified that we would lose $200 million to a maximum of $400 million worth of gold if we took that step. This was in answer to those who thought we would lose a great deal of gold. As a result, we did lose $1.5 billion of gold during the first 6 months of 1965.

The question I wish to ask is this: Can the Senator see anything in our past experience, our past history, which would lead him to believe, or would lead him to have any optimistic hopes, that our experience would be any better if we removed the gold cover today than we had with removing it from the Federal Reserve deposits?

Mr. DOMINICK. That is a very good question, I say to my distinguished senior colleague, and I believe the answer is emphatically "No." I do not see any historic precedent that would lead me to think that this is going to be better than it was before. As a matter of fact, I believe it will be worse; because, by removing the gold cover and letting it all flow into whatever degree it may be asked for, what we are doing, is first, allowing the administration to relax over the financial problem in this situation, so that they are not disposed to take any action to cut back on their own budget.

Second, it indicates this is the last of our gold and if any of our foreign creditors want to get any they better jump on the bandwagon.

Mr. ALLOTT. The Senator indicated the three things necessary before we can hope to correct this situation. Those three things would include a balance of deficits in the interior economy of this country. Can the Senator see any indication on the part of the administration that it is going to meet the conditions which are going to be necessary and which even Members of his party on the floor today say are going to be necessary before we stop the outflow of gold?

Mr. DOMINICK. Quite to the contrary, I would say to my good friend. We have had one message after another sent up from the White House to both the House of Representatives and the Senate requesting additional programs and large expenditures of funds, with no indication of any cutbacks. On the contrary, there is a great increase in proposed expenditures under the budget for 1969, with overstated revenues and understated expenses, and even in that situation there is a sizable deficit.

Mr. ALLOTT. The Senator has spoken on this matter and has been interested in this subject for a long time. The things the Senator said 3 or 4 years ago are just as valid and true today as they were then. It is too bad that at that time we were not able to bring the attention of the executive branch and the majority party to the conditions which are creating for us now I think what is going to be a crisis, and particularly if this particular proposal should pass.

I do not wish to infringe further on the Senator's time but I did wish to compliment him. I shall listen with great interest to the remainder of his address this afternoon on this matter.

Mr. DOMINICK. I thank the Senator. I look forward to his discussion of the matter and to his amendment.

I shall submit an amendment at the end of my discussion.

Mr. BARTLETT. Mr. President, will the Senator yield to me for 2 minutes?

Mr. DOMINICK. Mr. President, I yield to the Senator from Alaska for 2 minutes without losing my right to the floor.

TRIBUTE TO ALFRED SELBY ON COMMENCEMENT OF 55TH YEAR OF SENATE EMPLOYMENT

Mr. BARTLETT. Mr. President, for quite some time I have carried on a diligent, although not especially vigorous, search to discover someone in or around the Senate who has served here longer than the distinguished senior Senator from Arizona [Mr. HAYDEN].

At last, I have found that man. He may not be the only person with longer service than the Senator from Arizona, but he qualifies. I refer to Alfred Selby, who today begins his 55th year of employment.

Mr. Selby came to work here in 1914. His first job was here. I asked him only the other day if he had any thought of retiring. He said, "No." He said he liked his work and he said, "Anyway, many Senators have asked me to stay on." I am one of those Senators.

Mr. President, I wish to mark this day, a real anniversary day, noting the start of the 55th year of service of one who has served Senators so well.

Mr. DOMINICK. I thank the Senator from Alaska for bringing up something which was really quite heart warming.

Mr. PEARSON. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield to the Senator from Kansas with the understanding that I do not lose my right to the floor.

The PRESIDING OFFICER (Mr. TYDINGS in the chair). Without objection, it is so ordered.

GOLD AND THE FEDERAL RESERVE NOTE

Mr. PEARSON. Mr. President, Leland J. Pritchard, professor of finance at the University of Kansas, has prepared an article entitled "Gold and the Federal Reserve Note" for the Kansas Business Review, which was published in the issue of February 1968. The article is a scholarly but readable discussion of the problem now before the Senate in the form of H.R. 14743.

Mr. President, I ask unanimous consent to have printed in the RECORD the article to which I have referred which is entitled "Gold and the Federal Reserve Note."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

GOLD AND THE FEDERAL RESERVE NOTE*

(By Leland J. Pritchard)

The United States now has a means-of-payment money supply of about $222 billion. Of this amount, $182 billion consists of "check-book money" (demand deposits in the commercial banks owned by the nonbank public) and the remaining $40 billion consists of coin and paper currency. Federal Reserve notes comprise nearly 90 percent of our currency.

Presently, the only formal legal link between gold and our money supply is through the Federal Reserve note. Federal Reserve notes are a primary liability of the issuing Federal Reserve banks, and the banks are required by law to hold gold certificate assets equal to at least 25 percent of the face value of all notes in circulation. As of December, 1967 total notes in circulation amounted to $42 billion.[1] The banks are also required by law to collateralize the remaining 75 percent (or less) of the face amount of the notes with United States obligations and/or eligible commercial and agricultural paper.

The Federal Reserve note thus immobilizes over $10 billion of our monetary gold. With our rapidly diminishing gold stocks, now less than $12 billion, the volume of "free gold" (gold available to meet international commitments) is down to less than $2 billion. Against this miniscule reserve, foreigners hold short-term claims (demand deposits, time deposits, Treasury bills, etc.) of approximately $35 billion. While most of these assets are held as international reserves and to effect international payments, a considerable part much greater than the free gold stocks can legitimately be regarded as excess dollar balances by their foreign owners. Therefore, there is an ever present potential claim on our gold reserves.

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*Congress is now in the process of severing the last legal link between our monetary gold stocks and the money supply. This article is intended to give background and interpretation to these developments.

[1] The figure of $42 billion includes approximately $4 billion of Federal Reserve notes held in the commercial banks as a part of their vault cash. Gold certificate reserves are required for these notes as well as the notes held by the nonbank public. Since commercial bank vault cash is "warehouse money" and not money in circulation, the notes were not included in the $40 billion figure cited above for means-of-payment currency.

The extent to which foreigners are able and willing to press these claims has been dramatically demonstrated by the events which have transpired since the British devaluation in November, 1967. In the single month of December, 1967, the United States gold stock shrank by over $900 million. Admittedly, this loss was unprecedented and not likely to be repeated soon, but there is no reason to believe that we are willing to take the necessary remedial action to eliminate our international deficits, restore a surplus, and thereby stop the gold drain. Restricting tourism abroad, placing mandatory controls on foreign investment, maintaining the foreign investment equalization tax, and similar measures recommended by the Administration, or already in force, are no more than palliatives—short-term measures that do violence to the concept of a free society. Furthermore, they increase the prospects of future deficits by reducing our potential income on foreign investments.

The chronic deficits in our balance-of-payments have been caused largely by our international military posture and can be corrected (barring total exchange controls) only by a drastic cutback in these government fostered overseas expenditures.

In his January, 1968 State of the Union message, President Johnson recommended the immediate elimination of the gold certificate requirement for the Federal Reserve note with the object of freeing all gold for sale to foreign governments at the fixed price of $35 an ounce. The Treasury's capacity to meet the gold claims of foreign governments at the price of $35 an ounce is absolutely necessary if a de facto devaluation of the dollar is to be avoided.

Freeing the gold does not, of course, solve the problem of our chronic balance-of-payment deficits, the real cause of our gold crisis. Every year since 1950 (with the exception of 1957) the United States has run a deficit of varying magnitude in its international accounts. These cumulative deficits have placed in the hands of foreigners a multi-billion dollar volume of *excess* dollars; dollars that are not needed for international reserves, to consummate international transactions, or to finance the purchase of our goods and services. Nor do the owners wish to invest these balances for long-term periods in this country. Foreigners have chosen to convert over twelve billion of these excess dollars into gold since 1950, causing more than a 50 percent reduction in our gold stocks.

Of necessity, Congress will approve the President's recommendation.[2] Even if it were possible to maintain our gold stocks at the present level, the approximately $2 billion annual expansion in the volume of Federal Reserve notes in circulation would force Congress to effect at least a gradual reduction in the gold certificate reserve ratio: either that or introduce another type of paper money having no gold ties.

To many people the prospects of a money system divorced from gold raises the specter of printing press money, hyper-inflation, and general financial chaos for our domestic economy. They also fear that cutting the last gold limitation on the volume of our money will bring about a collapse of confidence in the dollar, flights from our currency, and the end of the dollar as an international reserve currency.

These calamitous events may well ensue, but not as a result of removing the gold cover from the Federal Reserve note. In the foreign sphere, I would expect exactly the opposite to happen. If Congress should fail to act within the next few months to remove the gold cover from the Federal Reserve note, there probably will be some anticipatory cash-ins of dollars for gold by foreign central banks.[3] This could easily induce a cumulative flight from the dollar and the Treasury would be forced to deny applications for gold.[4]

A dollar no longer freely convertible on external account into gold at a fixed price would automatically be dethroned as the preeminent reserve currency of the world. And thus a vast amount of the economic (and military) leverage we are now able to exert in the world would evaporate.

Elimination of the gold cover from the Federal Reserve note should entail no untoward consequences for the domestic economy. Confidence in, and therefore acceptability of, the Federal Reserve note as a means-of-payment will not be affected since this confidence is predicated on faith in the credit and probity of the government of the United States. Nor will removal of the gold cover affect in any significant degree the future volume of our currency in circulation or the total money supply. Consequently, prices, production, and employment will not be affected significantly.

As our money system is administered, an expansion or contraction of Federal Reserve notes, or any other types of currency, is not allowed by the monetary authorities to alter significantly the lending capacity of the banks, general credit conditions, or the state of the money and credit markets. In other words, an expansion or contraction of currency is not allowed to exert either an inflationary or a deflationary impact on the economy.

In our money system, the aggregate volume of currency in circulation is determined by the effective demands for currency exerted by the public. But the public cannot acquire currency without diminishing, at the same time and by an equal amount, its holdings of demand deposits and/or time deposits held in the commercial banks. Since the source of time deposits is demand deposits (either directly or indirectly through the currency and undivided profits accounts of the banks), an expansion of the public's holdings of currency automatically diminishes another type of money held by the public. The result is that the public's aggregate holdings of money remain unchanged: only the components of the money supply have changed.

Thus, there is no inherent inflationary bias consequent to a choice on the part of the public to alter its money mix by expanding the currency component. In fact, if the public's decision to hold more currency is not offset by monetary policy actions of the Reserve authorities, a deflationary impact on the economy will be exerted.

Common sense would suggest that an expansion of any type of money is inflationary. The following brief resume of some of the salient institutional aspects of our money and banking system will illustrate why this is not necessarily so.

The aggregate *legal* lending capacity of the commercial banks is limited by the total volume of legal reserves held by them in conjunction with the level of the reserve ratios under which they operate. Thus, if the banking *system* acquires $100 of legal reserves and the system is operating under an average reserve ratio applicable to demand deposits of .125, the banking system can acquire $700 of earning assets by creating (an inevitable consequence) $700 of demand deposits and putting these deposits at the disposal of the borrowers. This is summarized in the following balance sheet:

Commercial Banks: Reserves $100, Demand deposits $100; Loans $700; Demand deposits $700.

Under these assumptions, the banking system has exhausted its *legal* lending capacity. It holds no *excess* legal reserves, i.e., the volume of demand deposits ($800) times .125 is equal to $100, the total volume of legal reserves.[5]

Since vault cash comprises a part of the banks' legal reserves, it is obvious that a loss of vault cash would diminish the legal lending capacity of the banks and force (unless offset) a multiple contraction of bank credit and demand deposits. Typically, the banks are "lent up," that is, they hold no large amounts of excess reserves. Consequently, any large withdrawal of currency (typical in boom periods and seasonally at Christmas) would precipitate a multiple contraction of bank credit. Historically, currency withdrawals from the banking system spawned financial panics, wholesale bank failures, depression, and stagnation. It was precisely to forestall these consequences that the Federal Reserve System was inaugurated. That this objective was not achieved until after 1933 is a long involved story which cannot be appropriately discussed within the confines of this article.

The technique by which the Federal Reserve authorities counteract the collective decisions of the public with respect to their currency holdings is exerted through the so-called open-market power. The Manager of the Open Market Account at the Federal Reserve Bank of New York places buy orders in the "open market" for the accounts of the 12 Federal Reserve banks to offset currency withdrawals from the banking system and places sell orders to offset return flows of currency from the nonbank public. The instruments dealt in are almost exclusively United States government obligations. A $100 purchase adds $100 to the legal reserves of the banking system (more if the seller happens to be a nonmember bank or the customer of a nonmember bank), while a sale of $100 reduces bank reserves by this amount or more.

Thus, while the public is allowed to determine its aggregate holdings of currency, it is not allowed to determine the aggregate lending capacity of the commercial bank system nor as a consequence, the aggregate volume of the money supply—and this is as it should be. Having established this order of primacy in our money system, we obviously have precluded the maintenance of any fixed relationship between our gold stocks and our money supply.

Not only do we not allow the volume of our monetary gold stocks to determine the day-to-day fluctuations in the money supply, we do not even allow our gold stocks to set an effective upper limit on the amount of a single component of the money supply.

When the "gold shoe" began to pinch toward the end of World War II as a consequence of a loss of gold, a sharp expansion in Federal Reserve bank deposits, and the public's holdings of Federal Reserve notes, Congress reduced (June, 1945) the gold certificate reserve ratio for Federal Reserve notes from 40 to 25 percent and the ratio for Federal Reserve bank deposit liabilities from 35 to 25 percent.

[2] This is not the first time a bill has been introduced to eliminate the gold certificate requirement against Federal Reserve notes. For example, H.R. 6900 and H.R. 7110 introduced in May, 1961 and H.R. 642 introduced in January, 1963 were for this purpose. But the exigencies of the situation did not require immediate action and so no action was taken.

[3] It is improbable that this response would be materially affected by the fact that the Board of Governors has the power to temporarily suspend the gold certificate reserve requirements.

[4] The Treasury grants gold export permits only to central banks, mostly central banks of countries which are signatories to the Articles of Agreement of the International Monetary Fund.

[5] Although this is a gross oversimplification, the principles enunciated above are correct. The illustration assumes no shifting of demand deposits into time deposits or among banks in such a way as to change the overall reserve ratio average; no cash-drain factor (the tendency on the part of the public to hold a fairly constant proportion of its total means-of-payment in the form of currency); and no excess reserves.

By 1965 our gold stocks were again barely covering the legal reserve requirements. Again, this was due to an expansion in Federal Reserve bank note and deposit liabilities combined (after 1950) with a loss of gold. This time Congress changed the "rules of the game" (March, 1965) by repealing the gold certificate reserve requirement against Federal Reserve bank deposit liabilities, thus freeing all gold for international purposes and to provide "cover" for the Federal Reserve note. And now with our "free" gold stock under two billion dollars, the Federal Reserve note continuing to expand, and no prospect that the gold drain is stopped, we will finally be forced to sever the last legal link between gold and our domestic money supply.

While the legal link between gold and the money supply has in the past been fictional and in the near future will be nonexistent, there nevertheless is an economic link. The aggregate volume of our gold stocks and the volume of the "free" gold stocks have exerted an increasing influence since 1958 on the Federal Reserve's monetary policies. Reported deliberations of the Federal Reserve Open Market Committee clearly reveal this fact, and it must be assumed that our ever diminishing gold stocks have induced the Federal Reserve to follow a less expansionary monetary policy than would otherwise have prevailed. The relatively rapid expansion of bank credit since 1960, especially during 1967, leaves some skeptics wondering just how expansionary monetary policy would have been if our worsening international deficits had not forced some constraint.

While it may be a reasonable hypothesis to assume that our balance-of-payment deficits and consequent loss of gold have resulted in a smaller volume of bank credit and a smaller money supply than would otherwise have existed, no one, including the Federal Reserve authorities themselves, is in a position to provide a valid estimate of the differences involved. The unanswerable question is: What would monetary policy have been if there had been no gold problem?

If the economic relationship of gold to the aggregate money supply is indeterminate, the economic relationship of gold to the volume of Federal Reserve notes in circulation is even less determinate, since neither the cash-drain factor (the ratio of currency to demand deposits) nor the ratio of Federal Reserve notes to the total volume of currency in circulation is fixed. The obvious conclusion is that there has been no effective legal relationship between gold (or gold certificates) and the volume of Federal Reserve notes in circulation, and that such economic relationships as have existed or may exist are extremely tenuous, probably insignificant—and unmeasurable. If this is true, why has Congress encumbered the Federal Reserve note with a multiplicity of varying collateral requirements? And the answer is: Indeed, why?

The provisions of the Federal Reserve Act and its amendments are replete with false assumptions as to the economic role played by the Federal Reserve note in our money system, e.g., that restraints must be placed on the Federal Reserve banks or they may issue an excess volume of notes; and that collateral is required both to insure the safety of the notes and to limit their issuance.[6]

Paragraph 4 of section 16 of the Act not only limits the total volume of notes that may be issued to a ratio of the volume of gold certificates owned by the applicant bank, but even provides a flexible administrative device which can be used to penalize those Reserve banks that issue notes in excess of their gold certificate holdings. According to the Board's own interpretation, the primary purpose of this provision was to enable the Board to control the volume of notes placed in circulation.[7]

These provisions of the Federal Reserve Act would have validity if: (1) the volume of Federal Reserve notes in circulation was discretionary with the Federal Reserve banks; (2) the Federal Reserve banks were profit seeking institutions dealing directly with the borrowing nonbank public; (3) Federal Reserve bank credit creation took the exclusive form of Federal Reserve notes and thus, when expanded, immediately and automatically augmented the total money supply; and (4) it were necessary to provide specie on demand to meet any note redemptions.

The above provisions of the Federal Reserve Act apply to the kind of banking system we had, or endeavored to have, in the pre-Civil War period. Even from the inception of the Federal Reserve System, the non-gold collateral requirements were redundant, being based on a fallacious "real bills" doctrine.[8] After our departure from a free gold standard in 1933, even the gold requirement (changed to a gold certificate requirement when gold was given a formal legal nationalization by the Gold Reserve Act of January, 1934) amounted to nothing more than a variety of legal folklore.

The deposit liabilities of the Federal Reserve banks have never been encumbered with any type of pledged collateral, except gold or gold certificates, and (as noted) this statutory requirement was repealed by Congress in March, 1965. Yet most of these deposits are owned by the member banks and constitute the major part of their legal reserves. It is not an exaggeration to state that the viability of our monetary system is dependent on the preservation of the absolute financial integrity of these deposits.

Obviously there is no defensible reason why there should be even a legal pretense that Federal Reserve notes are deserving of a higher credit status than Federal Reserve bank deposit liabilities.

Collateral requirements provide only a false facade of protection. As a matter of fact, foreign central banks (which along with the member banks and the Treasury own the deposit liabilities of the Federal Reserve banks) enjoy a greater degree of protection than does the Federal Reserve note holder because the foreign central bank can convert deposit balances into gold, a privilege denied the Federal Reserve note holder since 1933.

The best approach to this problem is simply to limit the earning assets of the Federal Reserve banks to paper of unquestioned soundness and underwrite the whole system with the credit of the United States government. This is in reality what has been done.[9] If it continues to be done and the credit of the United States government remains unimpaired, the credit status of the Federal Reserve note will remain unimpeachable and Federal Reserve notes will remain fully acceptable as a means-of-payment, collateral or no collateral.

[6] Paragraph 2 section 16, Federal Reserve Act.

[7] See Digest of Rulings of the Board of Governors of the Federal Reserve System to October 1, 1937, p. 183: "Tax on Note in Form of Interest Charges."

[8] This doctrine naively assumes that bank credit expansion is noninflationary and self-regulatory if used to finance "real" things. Our nominal legal adherence to the doctrine was terminated in 1932 when, due to the lack of eligible commercial and agricultural paper, Congress added (Glass-Steagall Act, February, 1932) direct obligations of the United States government to the list of eligible collateral for the Federal Reserve note.

[9] For example, on December 27, 1967, the 12 Federal Reserve banks held $49.7 billion in earning assets. United States government securities were $49.2 billion of this total.

ELIMINATION OF RESERVE REQUIREMENTS

The Senate resumed the consideration of the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890.

Mr. DOMINICK. Mr. President, before I became engaged in these colloquies I was talking about my 1963 trip and the recommendations and conclusions I received from people with whom I spoke while I was overseas.

I came back and the first thing I recommended to the committee was that hearings should be held by the Committee on Banking and Currency to determine the advisability of amending section 16 of the Federal Reserve Act, the section setting up the 25-percent gold backing of our currency. I said these hearings would assist in publicizing the need for budget cuts, the availability of metallic backing of our currency, and the method used by other countries to stimulate gold production.

It seemed to me the hearings should have been held in conjunction with the Subcommittee on Minerals, Materials, and Fuels of the Committee on the Interior, which has jurisdiction over legislative matters dealing with gold production. It was my feeling that by having these hearings together we could produce a result that would be beneficial to our financial and our mining problems. Unfortunately, I could never get the committees together and the hearings were not held. The administration said it was not necessary. They said, in effect, "Your concern is not warranted. Why don't you go away?"

Some 2 years after that we started the 1965 hearings to remove the 25 percent gold cover from reserve deposits because the administration suddenly said, "We are in a terrible bind." Exactly what I had said in 1963 was coming about and they said we were going to have to free up some of our gold to meet overseas obligations.

They said in 1965, "We are taking away the gold from behind certain deposits." At that time I appeared before the committee. I was no longer a member of the committee, and I testified and said as follows:

FEBRUARY, 9, 1965.

I am well aware of the serious dilemma in which the Administration finds itself, but frankly, it has only itself to blame and this proposal constitutes a lonely bandaid, not a cure:

(1) At best it is a temporary expedient solving nothing and opening the way to substantial currency inflation;

(2) Rather than increasing confidence in the stability of the dollar as its most optimistic supporters predict, its effect could be precisely the opposite;

(3) It is an obvious first step toward a completely managed monetary system wherein gold will ultimately be removed from all internal currency making the value of the dollar thereafter subject to the arbitrary decisions of the fiscal managers, regardless of political party; and

(4) While there may be valid objections to a complete return to a gold standard, history has repeatedly proven the inadequacies of a managed economy whose currency invariably ends up in a destructive inflationary cycle.

Those are the first four points made in the 1965 hearings and the statement before that.

To my great regret, every single one of my predictions has come true—every single one.

I went on, as follows:

The problem we face is indeed serious, and I urge the Administration to take upon itself the mantle of fiscal responsibility it has for so long shunned.

The recent cavalier attitudes toward sound economic policies are truly remarkable. The Administration spokesmen have cavorted from one side of the spectrum to the other. At first, we were promised balanced budgets—

Remember that, Mr. President?—

and then told they were an unnecessary vestige of the puritan ethic.

Remember that, Mr. President?

Mr. TOWER. Mr. President, will the Senator from Colorado yield for a question?

Mr. DOMINICK. I yield.

Mr. TOWER. What is a balanced budget? I have not heard that term in a very long time.

Mr. DOMINICK. It has been so long, it is hard to remember. Actually, when I was overseas in 1963, they would say to me, "There is a simple way to solve the problem of the dollar." I would say, "What is it?" They would reply, "Why do you not balance your budget?" Holy smokes, how many times have I talked about that? But we cannot get it done. We cannot get it done, at least under the leadership we now have.

To continue reading from my statement:

At first, we were promised there would be no intentional deficit spending except in periods of national crisis and then this, too, was changed.

During the last few years, we have witnessed staggering increases in Federal expenditures despite the deficits resulting therefrom; a climbing national debt which is now over $312 billion—

I must say, does that not sound good today, when we think of what it is now? Three hundred and twelve billion dollars in 1965. I believe it is over $345 billion now, is it not?

To continue reading from the statement:

and a constant imbalance of payment situation. From these things, the public's attention was diverted first to statistical justification in terms of Gross National Product expansion, and more recently, to sloganeering programs and policies, while our international payment deficits continued and our gold supply dwindled.

Recent figures indicate that our treasury—

I am still talking about 1965—

has only $15 billion in gold reserves, of which more than $13 billion is required, under present statutes, to back domestic currency and Federal Reserve deposits. This leaves less than $2 billion in gold reserves to meet the short-term dollar holdings of all the foreign governments in the world, which amount to approximately $24 billion.

In July 1963, with the gracious consent of the Chairman of this Committee, I made a trip to Europe to talk to the Central Bankers and the private bankers of four of our Western creditor nations: England, France, Switzerland, and Italy. On my return, I prepared a brief report which was printed by this Committee and I ask that a copy of this be included at this point in my remarks. In that report I pointed out that there was unanimous agreement abroad that the best ways to increase confidence in the dollar and decrease our gold outflow were (1) to balance the budget, and if this were politically impossible, (2) to make drastic cuts in our foreign aid which has had such an adverse impact on our trade balances. Obviously the former has not been done, very little has occurred in the latter field, and we are in serious trouble.

There can be no doubt, then, that steps must be taken to ease our situation. But this cannot be done by simply making more free gold available on demand without enacting policies to change the reasons for the demand. What the Administration is saying essentially is "we're in a terrible bind and are willing to provide short run remedies as long as our gold lasts." This, of course, is the language of a government caught off base through its own inability or unwillingness to apply self discipline.

The Administration tells us that it must have room to "maneuver" and that acceptance of its proposal will increase our free gold holdings by a factor of 3 or more. This, it assures us, will be sufficient to meet the immediate demands of any nation, thereby convincing foreign governments that we have no intention of devaluating the dollar or freezing our gold.

What the Administration does not say is that the expansion of our own economy will so seriously bite into our free gold supply that even if foreign governments made no additional claims in the future—

I am still talking about 1965—

we could drive ourselves over the reserve limits within two or three short years. A certain amount of relief in this particular area would be provided, of course, by the Administration's proposal, since gold would no longer be required to meet the obligations of an expanding federal reserve balance.

This, however, must be recognized as a short term reprieve, at best.

Mr. LAUSCHE. Mr. President, will the Senator from Colorado yield for a question?

Mr. DOMINICK. I yield.

Mr. LAUSCHE. The Senator is reading from the statement he made in 1965, at which time we had $2 billion in free gold with $24 billion of immediately demandable foreign claims.

Mr. DOMINICK. That is correct.

Mr. LAUSCHE. What is the present situation? It was $2 billion to $24 billion in 1965. What is it now?

Mr. DOMINICK. We have about $1.2 billion of free gold. Our overseas, short-term dollar holdings, which could be converted into gold, are over $30 billion.

Mr. LAUSCHE. $30 billion now. About 20 to 1 as against 12 to 1 in 1965.

Mr. DOMINICK. That is correct. That is just about correct.

Mr. LAUSCHE. In plain language, that means that there are $30 billion worth of claims held by foreign central banks which can say to us, "We do not want your paper dollars because they are being diminished in value every day. We want payment in gold."

Mr. DOMINICK. That is correct.

Mr. DOMINICK. What has brought about the crisis that stands before us now, to remove the gold support, the anchor to the stability of our dollar?

Mr. DOMINICK. What has brought about the crisis is not the question of the amount of free gold we have left. What has brought about the crisis is the demand for gold because they do not trust the monetary policy of this country. If we changed the monetary policy, even if we did not change the gold ratios at all, we would find that they would prefer our dollars to gold because they can get interest on dollars but not on the gold.

Mr. LAUSCHE. They will take our dollars unless we are following a course which is diminishing the purchasing power of the dollar. If we are following a course which reduces the purchasing power of the dollar, they do not want the dollar, but the gold. Is that not correct?

Mr. DOMINICK. That is exactly correct?

Mr. LAUSCHE. Let me ask the Senator from Colorado whether, in his opinion, he believes that the citizens of our country are conscious of what the danger is to the holders of Government bonds, the recipients of pensions and annuities, and those thrifty individuals who have put their money into savings, intending that it take care of them in their old age.

Mr. DOMINICK. In my opinion, the American people are not conscious of the danger. That is one of the reasons I want to talk at some length on this subject, because I do not believe that they see the relationship between the mechanical brake we have with the gold backing on the currency and the force it exerts on the administration to change its policy.

Mr. LAUSCHE. Can the Senator either confirm or deny this statement, that the purchasing power of the dollar in 1940 was 100 cents and is now 40 cents.

Mr. DOMINICK. The Senator is correct.

Mr. LAUSCHE. That is, we could get 100 cents worth of goods for $1 in 1940 but in 1968, to put up a paper dollar we get 40 cents worth of goods.

Mr. DOMINICK. That is exactly correct.

Mr. LAUSCHE. Is that one of the factors causing foreign creditors to say, "We do not want your dollars. We want payment in gold"?

Mr. DOMINICK. There is no doubt about that whatsoever. The gold, as an item which can be utilized anywhere in the world, retains its value despite the fact that we place a value of only $35 an ounce on it for governmental purposes. They could trade it for barter and get far more than that, if they could get their hands on it.

Mr. LAUSCHE. Pardon me for asking this question, but when did the Senator from Colorado come to the Senate? In what year?

Mr. DOMINICK. I was elected in 1962; I took office in 1963.

Mr. LAUSCHE. Is it a fact that since the Senator from Colorado came to the Senate in 1963, he has been speaking on this subject, warning the people of the country and warning the administration and the agencies in charge of fiscal, financial, and monetary policies, that we had better beware of what will happen?

Mr. DOMINICK. I have been doing that over and over again. I remember with great pleasure that one of the first colloquies I ever had on the floor of the Senate was with the distinguished Senator from Ohio, who was doing exactly the same thing—trying to warn the

American people and the administration of the results of the policies that were being followed.

Mr. LAUSCHE. Is it a fact that today the principal representatives of the administration who deal with fiscal and monetary policies are saying that catastrophe is likely to happen unless we do the three things that are necessary to restore confidence throughout the world in the dollar of the United States?

Mr. DOMINICK. Yes, I have heard of that over and over again; but, as a rule, it is said that first it is necessary to remove the gold cover. Nothing is said about the other requirements.

Mr. LAUSCHE. What are the other two requirements?

Mr. DOMINICK. The other two requirements are: To try to correct our domestic budget deficit, and to try to correct our imbalance of payments overseas. Both of those things, I think, can be done.

The imbalance of payments will not be corrected by the two maneuvers the President has proposed; namely, a ban upon foreign investments and a ban on tourist travel. Neither will bring in enough money, but probably neither will be passed by Congress. They would not really solve the problem.

It will be necessary to move in a different way. If we expect to do anything about the problem, we shall have to take different action. I agree with the Senator from Idaho that there is no earthly reason why the American people should maintain 300,000 U.S. troops in the very area which is taking most of our gold for its own use because it does not believe in our dollar and because we have an imbalance in payments.

Why not bring those troops back here, stop that flow of money which is now going overseas, and let us make a real dent in our balance of payments? Why not have that manpower available to help us in our other foreign commitments, in Vietnam and elsewhere, and say to our allies in Europe, "You must take up some of the burden of defending Europe; do not put the whole burden on the United States"?

I am tired of having the United States placed in a position, all over the world, of not getting help or commitments from its allies. In the process, we are ruining our economic system and are causing a devaluation of the dollar through inflation at home. I think that is wrong.

Mr. LAUSCHE. Does the Senator from Colorado confine his objectives solely to this field, or are there other fields, such as in domestic spending, in which constructive work can be done toward stabilizing the value of the dollar?

Mr. DOMINICK. There certainly are. I am glad the Senator from Ohio has raised that question. I have been talking only about the imbalance of foreign payments. But in that connection, we shall have to establish priorities domestically. We shall have to get away from the philosophy of "guns and butter." If we are going to fight a war, let us fight it with wartime priorities. Let us establish priorities and bring our balance of payments as close to a balance as we can.

I think we will also eventually, if we can get that done, have to pass a tax increase; but I do not think we can possibly afford to have a tax increase until we get a cut in the budget.

I have said again and again that it is conceivable that the American people can save much of their money, but if the money is brought to the Government, there is no question that the Government will spend it, and the whole load will fall on the people. So an increased tax without decreased spending makes no sense.

Mr. MURPHY. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield.

Mr. MURPHY. This is based on rumor, but does the Senator know of the decision made by the former Secretary of Defense, which did not seem to have enthusiastic support on the part of the military experts, to build a fence in Vietnam to cost in the neighborhood of $1.6 billion? Is this something that might be scrutinized further before this money, which is an unimaginable sum to this poor Senator, is spent on the basis of a decision of one civilian appointee, rather than based on the knowledge of military experts?

Mr. DOMINICK. I would certainly say that is one area where we find ourselves having problems. Once again, this involves South Vietnam, and I do not want to get into a Southeast Asia debate here; but it is an area of expenditure which probably should not have been made, because the Joint Chiefs of Staff felt it to be of very doubtful effectiveness, and the amount could have been spent in other places and used more effectively and at a far cheaper price.

Mr. LAUSCHE. Mr. President, will the Senator yield further?

Mr. DOMINICK. I yield to the Senator from Ohio.

Mr. LAUSCHE. It is my recollection that the debt of the United States at the end of the Korean war was $265 billion. What is it today?

Mr. DOMINICK. I believe our debt limit—and I may have to check on this—is $358 billion, with an authorization to increase it by $5 billion in a year, in order to take care of cash flow problems, provided it goes back to $358 billion at the end of the year. So it is about $100 billion more than it was at the end of the Korean war.

Mr. LAUSCHE. What is our annual interest obligation on the debt?

Mr. DOMINICK. I believe the budget amount set is $14.5 billion for interest on the national debt each year, I think it is going to be more. It is going to increase, if I may say so, because the interest rates are going up very high in the process of trying to fund this very debt.

Mr. LAUSCHE. Is the Senator familiar with the fact that Per Jacobsson, managing director of the International Monetary Fund, as far back as 1960 warned the U.S. Government that, unless it took action to stabilize its monetary and fiscal policies, it was going to be in trouble?

Mr. DOMINICK. I had not recollected. I think it is a very valuable note to put into this colloquy.

Mr. LAUSCHE. I know he made the statement. Whether it was 1960, I am not able to state with positiveness.

Mr. President, I regret very much to enter this field, but in the 11 years that I have been in the Senate, I have warned and spoken practically every week on the dangers that lay ahead. Today I am accused of having been too zealous in trying to bring the Federal budget into balance. That attack is being made upon me from the platform in Ohio. The argument is not that I was trying to keep our fiscal house in order; the argument is that I did not recognize the needs of the times.

My objective was to stop extravagant spending. I tried to follow that course for 11 years. Time and again I made the statement that the piper would have to be paid.

Mr. DOMINICK. I would say to the distinguished Senator from Ohio that, if a Republican voice would do any good in a Democratic primary, I would be glad to come to speak for him or against him, whichever would do him the most good in getting the nomination.

Mr. LAUSCHE. Anyway, the time will come when it will be recognized that the budget must be kept in balance, and especially that it must not be allowed to increase grossly out of balance.

Mr. DOMINICK. The Senator is absolutely correct.

Mr. LAUSCHE. Our budgets have been out of balance for 32 out of the last 36 years. In peacetime $1 or $2 billion does not mean much, but it went as high as $10 billion. Now we are in a war, and the imbalance in the budget will be how much? Thirty billion dollars?

Mr. DOMINICK. It has been variously estimated as between $20 and $30 billion. No one really knows yet.

Mr. LAUSCHE. I want to commend the Senator from Colorado for the consistency of his position.

Mr. DOMINICK. I thank the Senator.

Mr. LAUSCHE. Since he came here in 1962, we have engaged in repeated dialogs pointing out the very thing that others are pointing out today.

Mr. DOMINICK. That is absolutely correct.

Mr. LAUSCHE. Others would not listen. Today they are calling upon us to subscribe to what we said 6 and 10 years ago.

Mr. DOMINICK. Mr. President, I thank the Senator from Ohio. If we can get more Senators to agree with us, perhaps we can get a majority position on this matter, and it will give us a breathing spell, and then we will be able to change the fiscal policy which has gotten us into our trouble now.

I said at the time that the action of the administration in 1965 was only a short-term reprieve, because there was no reason to suspect that foreign creditors would not recognize it as such and feel the need to take advantage of this opportunity to cash in their chips while the bank is still open. I said that they have already been alerted to the proposal, recognize its defects, and in at least one case, France, look at it as an attempt to buy off those creditors who are somewhat restless at the expense of the nations who have kept their proportionate gold reserves down and thus helped us prolong our agony.

I said, further, that there is no guarantee that such a psychological reaction will not develop—regardless of our Treasury Department's protestations to the contrary—thus creating the very run on our gold we are attempting to prevent. While the administration is obviously attempting to prevent the onset of such a psychological reaction, it is very questionable whether it will be successful as long as the basic problems are left untouched.

My statement in 1965 continued:

The key to the stability and viability of the international monetary system is the confidence in the dollar and its convertibility into gold at some fixed rate. A collapse in these criteria could trigger the collapse of the entire international payments system with a concomitant world-wide currency crisis.

In short, this government must submit itself to the discipline of establishing a favorable balance of payments situation and must make it known to foreign governments that this is a matter of national policy. It must solicit the continued cooperation of our international monetary partners who fully realize the problems we presently face, just as we recently leaped to the rescue of the pound sterling.

This is still in 1965:

The seriousness of our over-all fiscal situation must be faced, not avoided by temporary expedients. Failing this, the day inevitably approaches when our policies will be dictated by events in a climate far less favorable to us than presently exists.

That "climate far less favorable" is right now, Mr. President. But, as I said in 1965:

If we accept the arguments put forward by those who would remove the gold from our Federal Reserve deposits, we will have little recourse but to accept those same arguments at a later date on behalf of removing the gold backing from our currency in circulation. For after all, it can be argued, domestic currency is not redeemable in gold, anyway. Therefore, the removal of gold backing from domestic currency would have no substantive effect upon our internal monetary system; on the contrary, it would have the delightful aspect of freeing some $8 or $10 billion in gold.

I have heard those very arguments today on this floor, almost word for word. Every single sentence in here was repeated verbatim today by the Senator from New York, by the Senator from Alabama, and by the Senator from Wisconsin, saying exactly the same things I told them they were going to be saying 3 years ago; and it still does not make any sense, as it did not make any sense then.

If we pass this bill, we are going to move, as I was saying in 1965:

Into a completely managed monetary system wherein the value and integrity of the dollar would be in direct proportion to the judgment and integrity of the governing monetary officials. This places a staggering degree of trust in the judgmental infallibility of future monetary officials. I, for one, am unwilling to start down this road. To do so is to invite the very dangers of inflation Keynes referred to when he wrote: "By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily. . . .

The continuing inflationary spiral we have been in for the last 30 years is attributed at least in part by some economists to our willingness to move away from gold-dollar ties. The following statement by Arthur Kemp is directed to this point:

"Although some writers will doubtless deny it, the repudiation of gold obligations during the monetary upheavals of the 1930's, the deficit financing in time of peace and the enforced, arbitrary low interest-rate financing in time of war, supports of agricultural prices, miscellaneous subsidies of all kinds, devaluation of the dollar, and independence of domestic monetary policies provided the fire without which the inflation that took place would have been much less than it was. President Roosevelt's assertion in 1933 to the World Economic Conference in London that 'the United States seeks the kind of dollar which a generation hence will have the same purchasing power and debt-paying power as the dollar we hope to attain in the near future' has a decidedly hollow ring today.

"If gold is to be retained, or restored, in our monetary system it will require among other things a willingness to reaffirm and restore faith that we shall not accept, directly or by subterfuge, devaluation of gold or any weakening of the ties of the dollar to gold."

Yet, despite the warning of this very eminent professor of money and credit at Claremont College, we went right ahead, in 1965, and started weakening the ties, with the inevitable result we are faced with today.

In 1965, Dr. Kriz, a senior economist for the First National City Bank of New York, put it even more succinctly. I do not know how many times today I have heard Senators say, "The international financial community in New York is all in favor of this bill." They are not, Mr. President. Here is one who is not and was not in 1965:

For the dollar cannot serve as international currency by divine right. It can only serve so long as it is sought and retained voluntarily by other nations. The more easily available, the less will it be in demand. Only a strong and reliable dollar, freey usable throughout the world and commanding universal respect, can be an international currency.

At times, the shoe may pinch, particularly if nations indulge in inflation. But, in that event, something ought to pinch to communicate a sense of harsh reality to the need for a nation to keep its economic and financial house in order. Surely, international liquidity must be "adequate;" but it must also be allowed to run out, for it is this ultimate sanction that makes it necessary for any country to frame its domestic plans and policies with continuing regard for the external repercussions of its own acts. In this sense, gold helps reinforce domestic discipline—something we must have if we want an orderly society.

That was all in 1965.

I went on to say that—

There was nothing magic about the 25% gold reserve requirement, either on Federal Reserve deposits or on issued currency. What is magic is to retain a gold reserve high enough to give stability and firmness to an expanding currency and to provide a series of warning lights against inflation. Hence, to change the existing requirement without pledging ourselves to fiscal responsibility and a cure of our balance of payments deficits is merely removing our brakes while starting down a steep hill.

I could go on. Needless to say, although I made the fight in committee and again on the floor, and proposed a substitute amendment for what was proposed by the administration, we simply did not have the votes. On my particular amendment, which was to reduce the cover from 25 percent to 20 percent for 2 years on the deposits, we received 16 yeas and 48 nays—48 Senators, in my opinion, simply did not understand, as well meaning as they were, what we were getting into by going forward in this way.

I remember very well the committee report on this issue. Former Senator Robertson, bless his soul, a very fine person, read the committee report right into the RECORD and said, "We have been assured, and I agree, that if we take away the reserves behind our deposits, we will have enough gold to last for 10 years."

That was in 1965. I told him that we would have enough gold, if we were lucky, to last for from $2\frac{1}{2}$ to 3 years. I was wrong by 2 weeks. They were wrong by 7 years.

This is exactly what is going to happen if we continue down the course that has been dictated by this administration.

In January of this year when the matter came up before the committee, I again appeared before the committee and made a statement in opposition to this particular policy. I pointed out some of the things I had said in 1965 and went on with a statement which I had printed in the RECORD approximately 3 weeks ago.

Mr. President, I ask unanimous consent at this point to have printed at the conclusion of my remarks the statement which I presented before the committee.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). Without objection, it is so ordered.

(See exhibit 1.)

Mr. DOMINICK. Mr. President, let me just look at this realistically if I may. The action that we took in removing the gold cover from behind the Federal Reserve deposits in 1965 resulted in a run on the gold. Why? It was because we did not do anything about either the balance of payments or our own domestic budget to try to bring it into balance.

If we remove the gold cover now, we are simply going to accelerate the run on gold which is already upon us. And we are going to wind up with anywhere from $25 billion to $26 billion worth of dollars outstanding and with an obligation on our part to redeem those dollars in gold. And we will not have any gold.

What will we do then? What will we do when all of the gold is gone and we still say that we will redeem the dollars in gold? We will have to buy the gold. Buy it from whom? At what price and where? How will we handle the problem?

This is something that has not even been mentioned by the administration or by anybody else. They certainly have not advanced any cure for the problems we face in connection with our balance of payments or our domestic budget.

Mr. President, I have an amendment which I will describe briefly.

Mr. President, I send the amendment to the desk and ask unanimous consent that the amendment be printed in the RECORD.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table; and, without objection, the amendment will be printed in the RECORD.

AMENDMENT NO. 610

The amendment (No. 610) is as follows:

At the end of the bill insert the following new section:

"SEC. 14. During any period in which any foreign nation is in arrears, as determined by the Secretary of the Treasury, in the payment of principal or interest on obligations owing to the United States (including obligations incurred during World War I or World War II), dollars held by such nation, or any instrumentality thereof, which are presented for redemption in gold to the United States, or any officer or agency thereof, shall, in lieu of such redemption, be credited against the amount by which such nation is in arrears in the payment of principal or interest on such obligations."

Mr. DOMINICK. Mr. President, this is a rather interesting amendment. It is designed to try to take care of some of the concerns which have been expressed from all over our country concerning what is happening with our outflow of gold.

The Presiding Officer and I know, and most of us realize, that we are not going to really be able to prevent the outflow of gold until we do two things—balance the budget and balance our payments. However, we can do one thing, Mr. President. We can help a little in the balance of payments and we can do it in the pending bill.

The amendment that I have submitted would provide that, if any nation holding our short-term dollars is also overdue on obligations it owes to the United States and if they then present dollars for gold, they will not receive any gold. All they would receive would be a credit on their debt.

I think this will have a really substantial impact on the problem. The amendment would not deny anybody the right to get gold if they want to get it as exemplified by Treasury policy for a good many years. However, the amendment would provide that, if a country takes our gold, it had better be up to date on its obligations to the United States. It cannot be a debtor to the United States and be overdue on its debts and still want to take gold out of this country day by day and month by month.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield.

Mr. BREWSTER. Mr. President, would the amendment of the Senator apply to the World War I debt of France?

Mr. DOMINICK. I am happy to say that it would. It will apply to all obligations owed to us. And the Treasury, in the course of the hearings, made it very specific and clear that at no time have we ever repudiated the World War I debts, nor have we ever tied them in with the French claim that they cannot make any payments unless and until there are reparations from Germany. So we still have a valid obligation owed to the United States by a good number of countries.

One of the few countries that has continued to pay according to their commitment is the little country of Finland. That is a country possessed of real integrity and honesty. They are still paying on their debt. However, most other countries after the 1932 moratorium, which was good for only 1 year, stated that they would not pay any attention to their debt from that time on. Finland has been paying their debt. Unfortunately, in my opinion, they have been paying too much interest. They are paying on their debt, and they still owe us money. They still continue to make payments, and I think they are to be congratulated.

If Finland, being up to date and not overdue on their indebtedness to us desired to get our gold, they would deserve it. However, if a country like France, which is in arrears, as are many other countries, offers dollars for gold, the dollars would first be applied as a credit against the over-due portion of their debt. They could not get any gold until they became up to date and current on their payments.

I think there will be a good deal of interesting discussion when we debate my amendment. I can hear some of the arguments now. It will be said that this is the first step in denying the right to countries holding our dollars to receive gold and for them and that it will create a panic and restrict matters. I am not restricting anybody.

All I would provide is that if a country owes us money it should pay us before it starts to get gold and worsen the already serious monetary problem in our country.

I think it is worthwhile. I hope that Members of the Senate will back my amendment and participate in the discussion so that we can make it crystal clear that we are not trying to go back on our obligation to make gold available to oversea countries.

We are merely saying, "Let us use this means to get countries up to date on the amount of money they owe us."

Mr. President, I yield the floor.

EXHIBIT 1

STATEMENT OF SENATOR PETER H. DOMINICK ON LEGISLATION TO REMOVE THE GOLD COVER

I appreciate the opportunity to present this statement today in opposition to the Administration's proposal which would remove the gold cover from our Federal Reserve notes. The situation and circumstances today are analogous to those faced just three years ago this month when the proposal before the Committee called for the removal of the 25% gold cover from Federal Reserve deposits.

In 1965 the Administration asked for half a loaf; today, the whole loaf.

The serious dilemma confronting the Administration is nothing more than an expansion of the problem which faced us in 1965. The continuation of irresponsible fiscal policies and the failure to develop sound monetary policies have placed us in this untenable position.

The policies which led to our gold crisis three years ago have not been changed and as a result, the situation has gone from bad to worse.

During the past three years, we have witnessed staggering increases in federal expenditures despite the deficit resulting therefrom; our national debt continues to climb and our imbalance of payments deficit continues to skyrocket.

At the same time, our gold flow record is equally dismal. At the time of the 1965 legislation our total gold reserve was approximately $15 billion and our "free" gold availability to the reserve banks was about $1.2 billion. Today, our "free" gold is about $1.3 billion but our gold stock has now dwindled to only $12 billion.

As part of my testimony before this Committee on the gold cover legislation in 1965 I drew the following four conclusions concerning the then pending gold proposal:

(1) At best, it is a temporary expedient solving nothing and opening the way to substantial currency inflation;

(2) Rather than increasing confidence in the stability of the dollar as its most optimistic supporters predict, its effect could be precisely the opposite;

(3) It is an obvious first step toward a completely managed monetary system wherein gold will ultimately be removed from all internal currency making the value of the dollar thereafter subject to the arbitrary decisions of the fiscal managers, regardless of political party; and

(4) While there may be valid objections to a complete return to a gold standard, history has repeatedly proven the inadequacies of a managed economy whose currency invariably ends up in a destructive inflationary cycle.

Unfortunately, each of these conclusions has proven substantially correct. I would also submit that each of these four general conclusions is just as applicable to the present situation as it was to the analogous situation in 1965. This is true because the problems have not changed; they have only become more acute and the symptoms more obvious.

I would like to discuss the present situation within the framework of the four general principles I have just stated in an effort to show that the legislation now before the Committee is just as disastrous as the legislation before the Committee in 1965 and that it also fails to offer a solution to the problems facing the dollar. Our experience with the 1965 legislation should serve as a valuable lesson for what, in my judgment, will result if the gold backing is removed from our Federal Reserve notes.

That the action taken in removing the gold reserve requirement from our Federal Reserve deposits was a temporary measure is patently obvious. Many of us predicted that this action would provide the Administration only "2 or 3 short years" within which to get our financial house in order. Yet, the Administration was much more optimistic.

When the $5 billion in gold certificate reserves released by the 1965 Act was added to the $1.2 billion in free gold, our total "free" gold amounted to approximately $6 billion. Senate Committee Report No. 65 stated that, "Free reserves of $6 billion at the reserve banks would be sufficient to meet reserve needs against the normal rate of expansion in Federal Reserve notes for 10 years or more and still leave some margin for a further reduction in the country's gold stock."

Those speaking for the Administration in this regard were either incredibly naive or pioneers of the Administration's credibility gap.

Even though the Administration missed its guess on the strength of its legislative "band-aid" by 7 "or more" years, it apparently did recognize the real problems with which it had to cope to set its financial house in order. The Committee Report went on to state, "In this time, adjustments must be effected to bring the nation's international payments into balance, and perhaps to reverse the outflow of gold. In the meantime, it will still be necessary to maintain sufficient restraint on monetary expansion to prevent excessive expansion with consequent inflationary developments or losses of gold."

"It is recognized by the Administration in proposing this legislation and by the Banking and Currency Committee in recommending its adoption that the ultimate and more basic problem is to eliminate or minimize the large deficit in this country's international payments position that has persisted for a number of years and caused a drain in our gold reserves. The purpose of the reduction in the gold reserve requirements is to provide time for the operation of measures and economic forces to correct this situation and to avoid the necessity of adopting at this time drastic measures that might retard desirable economic growth, reduce employment, and interfere with the continuation of programs essential for the nation's defense."

Despite the above statement of policy, there has, in fact, been no major policy shift in the ensuing three years designed to correct our balance of payments deficit. This, despite the fact that our present gold dilemma was completely predictable.

Finally, last month, the Administration did announce limited short term measures aimed at partially correcting our balance of payments deficit. These measures fall far short of the mark; they are aimed at the wrong target and can at best produce only partial short term results.

Again, the proposal before this Committee is a temporary expedient designed to buy the Administration more time in which to maneuver.

In 1965, we were told that, if we removed the backing from Federal Reserve deposits, we would strengthen confidence in the dollar. I rejected the unsupported assertion then; I reject it now. The fact is the repeal of the gold certificate requirement in 1965 did not lead to a greater confidence in the dollar but to less. We are just as close to a liquidity crisis now as we were in 1965; but even worse, we are much nearer a foreign exchange crisis than 3 years ago.

As I have stated, the proposed action is at best a short term reprieve. Foreign creditors recognized it as such in 1965 and look at the results. We may conceivably buy a very short period of time with this legislation; but unless we use this time more wisely than we have since 1965, foreign creditors will once again "cash in their chips" while the bank is still open. Experience indicates that the purchase of time through remedial legislation is a useless purchase as long as the basic problems are left untouched.

To gain continued confidence in the dollar, this government must submit itself to the discipline of establishing a favorable balance of payments, and we must make it known to foreign governments that this will be accomplished as a matter of National policy. The current proposal is made not from strength but from weakness. The seriousness of our overall fiscal situation must be faced, not avoided by temporary expedients.

The paramount objection I have to the legislation now before the Committee is that it represents the final step which will introduce this country to a completely managed monetary system. If this legislation is enacted, the dollar will be subject to the arbitrary decisions of our fiscal managers. The value and integrity of the dollar will then be directly related to the judgment and integrity of our governing monetary officials. This places, in my judgment, too large a degree of trust in the judgmental infallibility of future monetary officials.

I have stated many times and I wish to reiterate that I see nothing magic in the 25% gold reserve requirement. What is magic is to retain a gold reserve high enough to give stability and firmness to an expanding currency and to provide a series of warning lights against inflation. Hence, to change the last such existing requirement without pledging ourselves to fiscal responsibility and a cure of our balance of payments deficits is merely removing our brakes while starting down a steep hill. We cannot afford to remove this last objective warning system. The real culprit in the inflationary cycle we are now experiencing is too rapid an increase in our money supply. George Bernard Shaw, in *The Belligerent Woman's Guide to Socialism and Capitalism,* stated with his usual wit a proposition which I think is applicable here. He said, "You have to choose (as a voter) between trusting to the natural stability of gold and the natural stability of the honesty and intelligence of the members of Government. And, with due respect for these gentlemen, I advise you, as long as the Capitalist system lasts, to vote for gold."

The analogy I drew three years ago between the gold situation and our constant concern over increasing our national debt limit is equally applicable today. The Administration finds itself required to request assistance from Congress in order to satisfy its growing financial obligations by continually asking us to increase our national debt limit and by continually pumping new Federal Reserve notes into an already overheated economy.

What then should we do in lieu of removing the gold backing from our Federal Reserve notes?

I would submit that before we remove the gold backing from our Federal Reserve notes we should establish, as a matter of national policy, specific long-range proposals for correcting our balance of payments deficit. This would clearly demonstrate that we are committed to correcting the problem as opposed to merely tampering with the symptoms. The appropriate Congressional Committees should immediately undertake extensive hearings on the balance of payment problem with the goal of establishing priorities in solving the problem. In 1965, three years ago, I urged the establishment of an investigative body to study the situation in depth, analyze all proposals, and make recommendations as to which alternative proposal would present the wisest course of action. Not only has Congress failed to establish such an investigative body but we have by and large been guilty of totally ignoring the balance of payments problem. Because of the critical time element with which we are now faced, I now feel we must move immediately forward within our Congressional Committee framework.

At the present time, we have approximately $1.3 billion in "free" gold reserves. If this amount should not prove adequate to "hold the line" while we get our financial house in order, the Federal Reserve Board has the authority to suspend the gold reserve requirement for a period of up to thirty days and to renew such suspension for fifteen day periods thereafter. This authority should be used if necessary.

An alternative course of action would be to reduce our gold cover requirement to a lower percentage for a temporary period. In 1965, I proposed that we reduce the requirement from 25% to 20% for a period of 2 years. This should allow the additional time necessary for us to get our financial house in order.

I would like to conclude by raising a separate but related problem. We should immediately take action to stimulate the production of gold particularly in this country. The revitalization of our gold mining industry is critical. If the price of gold is to remain at $35 an ounce, we must assist our mining industy either by establishing a free market for gold used for artistic, commercial and industrial uses or by providing direct subsidies to cover the increased cost of producing gold. I hope that this Committee and the Administration will review and alter its policy in this regard and lend support to the efforts of those of us who have been attempting to assist our mining industry for these many years. We must have more domestic gold production if we are going to move forward with a sound monetary policy.

THE GOLD SITUATION

Mr. BREWSTER. Mr. President, I deplore the inflationary trend that we see in the United States today. I also recognize the need to balance the budget and see the challenge to monetary stability that is presented by the imbalance of our international trade. A large part of the solution to this problem lies with the establishment of a system of spending priorities that would dictate a lesser role for the race to the moon and a return to America of, say, four of the six divisions stationed in Europe. Above all, our real task is to put our own fiscal house in order. But our problems stretch beyond the fiscal into the monetary realm.

The international monetary system is outdated and in dire need of modernization.

The extent of its obsolescence has been demonstrated vividly in the months that have elapsed since the pound sterling devaluation in November. But, of course, the problems run deeper than the immediate crisis.

The crisis that followed devaluation, and that continues today, has been centered on the rush for gold and the fear that the United States, in particular, will be forced either to agree to a hike in the price of gold or to face a continuing drain on the reserves of Fort Knox.

Mr. President, this problem requires two sets of solutions: Remedies for both the short and the long terms.

A short-term solution—to my mind, the short-term solution—is contained in S. 2857, the administration bill to remove the 25-percent gold cover on our currency. I am delighted to see that this wise measure has passed the House of Representatives and received the support of the Senate Banking and Currency Committee.

Since 1934, individuals have been unable to redeem their paper money for gold coin. Now, in these times of dwindling gold reserve, the gold cover requirement is in danger of becoming not only meaningless, as it has been for the last 34 years, but also injurious. In the monetary climate of today, the gold cover requirement could seriously damage our internatonal position.

I am afraid this is a fact not understood by all Americans. If everyone understood what great harm the gold cover stands to bring about, I do not believe S. 2857 would have encountered the popular opposition it has to date.

We have promised to keep allowing foreign central banks to purchase the gold we own at $35 an ounce. If forced by law—as we currently are—to keep enough gold to cover 25 percent of the paper dollars in circulation, we might not have enough to give foreigners on demand. Therefore, the 25 percent gold cover requirement threatens our ability to make good on our promise.

The United States has never backed down on a promise. It is our responsibility to maintain the confidence of the rest of the world in our ability to pay up when the demands come in, and the way to do so is to lift the gold cover. The only alternative is gold rush and international monetary chaos.

Mr. President, it is extremely important that the American people understand that lifting the gold cover in no way devalues their holdings or jeopardizes their personal financial stability. The gold cover bill is no cause for alarm. A dollar will still be a dollar, just as good as ever, and the soundest currency in the world today.

Recently, the Washington Post, in a highly commendable effort to increase public understanding of the gold issue, published a series of articles and several editorials on the subject.

Mr. President, I ask unanimous consent that these Post articles and editorials be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. BREWSTER. As much as any proposed legislation before us, S. 2857 deserves the strong support of the Senate. In the interest of monetary responsibility, this bill should be made public law as soon as possible. However, let no one think that S. 2857 can solve our monetary difficulties in the long run. The overall problem is too great to be solved by one simple legislative remedy.

Let us face it: The current situation suggests a need for some very basic changes. As of mid-February, outstanding foreign demands on our Treasury totaled some $31 billion, while our gold reserves in Fort Knox were only $11,884,000,000.

Obviously, we could not hand over gold for every dollar in foreign banks, even if it were demanded. Realizing this, other countries hold dollars in reserve in lieu of gold because they have complete faith in the dollar's strength. Gold, consequently, has lost much of its monetary significance, and its relationship to the dollar should be reevaluated in this light.

After all, it is the productive capacity of a nation that accounts for its true wealth, and gold has nothing to do with either our true wealth or our true power, which are unmatched in the world today.

In addition, the gold standard has its harmful aspects, among them the restrictions it places on world liquidity and international trade.

In times like ours, when production can expand far faster than the money supply, which is based on the supply of gold, gold actually threatens economic growth. While it can, of course, prevent an economy from attempting too much, gold can also fatally retard progress, and it is the latter contingency that appears the most dangerous today.

Fortunately, steps have been taken to improve the world liquidity situation, steps which will further reduce the importance of gold in international transactions. At Rio de Janeiro last fall, the first major monetary reform since the creation of the International Monetary Fund in 1944 was set in motion.

If given final approval next month, a new monetary asset will be made available to the central banks in 1969 which will be used in addition to gold and dollars to settle international accounts. These new "special drawing rights," created by the IMF and issued to each country in proportion to its quota in the IMF, will increase substantially the volume of credit available to finance trade expansion.

I say that so long as we are willing to recognize now the need to make this increase, we should start looking for orderly solutions to the whole problem of maintaining a link between our currency and gold. And we should not ignore the possibility of severing that link.

These questions require detailed study. The appropriate congressional committees and the U.S. Treasury could do no better than to investigate them with a view to making recommendations for thorough reform.

I believe that as we move into the next decade, the need for monetary reform will become more and more apparent.

We, ourselves, cannot afford to be restricted by the conservative prejudices that base opposition to reform on faulty economic reasoning and fear of personal financial disaster. The public has no cause to fear financial disaster from the demonetization of gold; on the contrary, if American business is permitted to expand through greater availability of credit, the dollar should become stronger than ever.

EXHIBIT 1

[From the Washington Post, Feb. 14, 1968]

GOLD AND COMMONSENSE

The banking committees of both houses of Congress wisely voted to repeal the legal anachronism that requires most of our dwindling gold stock to be held as a reserve against the paper money circulation. A "gold cover" for Federal Reserve notes whose private holders cannot convert them to gold is useless. And harm is done to the extent that the cover requirement shakes the confidence of foreign dollar holders, thus causing their central banks to buy Treasury gold with accumulated dollars. So there is no question but that the House and Senate should act promptly to lift the gold cover, not only to meet today's exigencies, but to set the stage for demonetization of gold in the foreseeable future.

The Administration argued that lifting the gold cover continues the long standing policy of "maintaining the gold-dollar relationship at $35 an ounce." But aside from the obvious need for bolstering the status quo with affirmations of faith, there is little to be said for efforts to maintain a gold price ceiling. So long as gold is officially underpriced—the $35 an ounce price was set in 1934—the demand is going to exceed the supply, irrespective of what governments do in the London gold market, irrespective of efforts to enlist international cooperation. It requires no great feat of imagination, just to look at the gold stock figures for the last decade, to envisage the time when the "gold-dollar relationship" will be dissolved by the exhaustion of Treasury's gold stock, notwithstanding the balance-of-payments controls.

But it does not follow that the dollar ought to be devalued by officially increasing the price of gold. Mr. George S. Moore, the chairman of the First National City Bank of New York, recently said that he would prefer an increase in the gold price, "carried out in an orderly multinational manner," to exchange and other permanent balance-of-payments controls.

Mr. Moore deserves warm commendation for his willingness to commit "monetary treason." Indeed, there is hope when the head of one of the largest banks exhibits a mind more open than any to be found in the Treasury. But increasing the price of gold will not resolve the international monetary problems. Monetary reserves would be increased by raising the gold price, but windfall gains would be conferred on countries which refused to hold many dollars while friendlier countries which hold most of their monetary reserves in dollars would be penalized.

Moreover, so long as governments continue their interventions to maintain fixed exchange rates, the new, higher price of gold could prove inappropriate. If it were too low, there would be a continuation of the same pressures that now plague us; if it were too high, there would be disruptive flows of gold into this country, just as there were after 1934.

Despite pretensions to prescience, no one knows just how the international monetary system is going to evolve or—in the event of a financial cataclysm—whether there will be a system at all. But gold ought in any event to be demonetized, gradually stripped of its monetary functions and relegated to the position of other valuable mineral commodities. Lifting the gold cover on the paper currency hastens that day.

[From the Washington Post, Feb. 21, 1968]

LIFT THE GOLD COVER

The House of Representatives ought not hesitate to do what has to be done when the Administration's bill to lift the gold cover on the paper currency comes to a vote today. In 1934, Congress, for very good reasons, deprived the individual holders of Federal Reserve notes of the right to convert them to gold. From that time onward, the requirement that a 25 per cent gold cover be held in reserve against the Federal Reserve note circulation became an anachronism. In recent years it has been harmful because it shakes the confidence of the foreign central banks which hold dollars. They have been promised that they can buy the Treasury's gold with their dollars at the official price of $35 an ounce. But the Treasury's pledge cannot be legally fulfilled so long as the gold cover provision remains on the statute books. It should be swiftly repealed by an overwhelming vote.

[From the Washington Post, Mar. 9, 1968]

GOLD—CONFIDENCE CRISIS

There may be an element of truth in the contentions of those who attribute the current spate of gold buying to a speech made on the floor of the Senate, but they are by and large irrelevant. An international monetary system that can be rocked by a single legislator who wields little influence is very fragile indeed. What we are witnessing are not the effects of a massive, disequilibrating shock but a crisis of confidence in the gold-dollar system, a crisis that persists because government officials are inordinately fearful of making the decisive moves necessary to resolve it.

The dilemma confronting the non-Communist world is this: By dint of historical accident as much as by design, the dollar became the world's principal trading and reserve currency and the United States opted to maintain its convertibility to gold at the price of $35 an ounce. But the $35 an ounce ceiling price for gold was established in 1934, and there are now powerful demand pressures which would lift it. In addition to the persistent demands by unsophisticated gold hoarders in Europe and Asia, there are the foreign-held dollar balances, $15 billion held by central banks and governments and $16 billion in private hands. With $31 billion in potential claims against a United States gold stock of about $11 billion, any adverse bit of news, any rumor, no matter how implausible, shakes confidence and causes foreign central banks to reduce their dollar holdings by taking U.S. gold. And with the depletion of the gold stock, there is a corresponding diminution of our Government's credibility when it reiterates its pledge to maintain convertibility.

The gold-dollar dilemma is not going to be easily or gradually resolved by the forces of evolution on which Government spokesmen pin their hopes. There is, to be sure, a plan for creating "Special Drawing Rights" on the International Monetary Fund which would eventually replace gold as an international monetary reserve. But even if that plan is ratified by IMF governors next month, it will not be implemented with sufficient speed and the number of special drawing rights is not likely to be sufficiently large to enhance confidence in the dollar and substantially diminish the demand for gold by foreign central banks.

What then should be done? The price of gold should not be raised, as some respectable observers have suggested. To do that would confer enormous rewards on the countries which refused to hold dollars while penalizing those which did. Declaring a partial embargo on gold sales, agreeing to sell only to certain countries would be clearly discriminatory.

Nor would anything be gained at this point if the United States and the "gold pool" countries ceased to supply gold to the London market. Their withdrawal as suppliers would result in a sharp rise in the free or market price of gold, perhaps to $45 an ounce or more. With such a large disparity, central banks would find it hard to resist the temptation to buy U.S. gold at the bargain price of $35.

The most orderly and equitable means of resolving the problem would be a switch by the United States to a "current account" dollar status. We can exercise our option under the IMF articles to cooperate only in maintaining fixed exchange rates between the dollar and other currencies. Efforts to maintain a link between the dollar and gold—that is, convertibility—would cease. In order to discharge its obligation to maintain fixed exchange rates, the United States would need supplies of foreign currencies for pegging operations. To ensure cooperation and blunt political attacks, it might deposit the entire gold stock in the IMF, drawing upon it when foreign currencies are needed and also utilizing the regular IMF credit facilities.

History offers little hope of achieving an orderly and rational solution of the gold-dollar problem. Virtually all significant changes were the aftermaths of crises or wars. That sorry record can be altered. But not until sufficient courage is mustered to make the first resolute move.

GOLD AT THE CROSSROADS—I: FEAR FOR THE DOLLAR AGITATES EXPERTS

(By Hobart Rowen)

Many influential U.S. bankers and businessmen have reluctantly concluded that this country will soon be forced either to choke off the flow of gold to speculators through the London gold market, or to raise $35 price for gold.

They think the situation might still be retrieved if Congress passes a tax increase as a symbol of its willingness to cut the balance of payments deficit.

But top bankers now tend to doubt the effectiveness of President Johnson's leadership. Many businessmen who supported him actively before have lost their confidence in him, and say so.

These are the main conclusions of an intensive survey of businessmen, bankers, economists and other gold experts just made by The Washington Post.

Fear that basic changes in existing monetary relationships might affect the value of the dollar has also triggered a move among corporations and individuals to protect themselves.

In California, it was learned, there has developed what banks there consider to be an unhealthy demand for land, paintings, diamonds, and other commodities thought to be secure.

This reflects a common belief that an increase in the price of gold would be equal to a devaluation of the dollar. All the experts agree that this is not so. Since other nations would also be forced to change their currencies in relation to gold, a dollar would still buy the same amount of all commodities and services—except for gold.

But an increase in the price of gold might lead to a world-wide inflation which could cut the real purchasing power of the dollar and other currencies.

No one knows precisely what would happen if the world's monetary reserves of gold, now $42 billion, were suddenly doubled by an increase in the price to $70 an ounce.

Most bankers and Governments traditionally have shuddered at the mention of a gold price increase.

AT FEVER PITCH

But now speculation has hit a fever pitch. "All over the world," David Rockefeller, President of the Chase Manhattan Bank, said in an interview, "the question one is asked is: 'What is going to happen to the dollar?'

"Even in Saudi Arabia," he said, "it is second only to their worries about Israel."

Nothing so well illustrates the new mood of American businessmen as their willingness to talk freely of the problem. A recent review by the Johnston, Lemon Co., sums it up by tilting an analysis of gold prices "Mentioning the Unmentionable."

Less than a year ago, Rockefeller's Chase Manhattan Bank and Bank of America President Rudolph A. Peterson kicked up a storm with cautiously worded suggestions that gold sales might have to be suspended.

Since then, devaluation of the British pound, and huge purchases of gold by speculators dreaming of $70 or $105 an ounce for gold have changed attitudes.

So far, to be sure, the official policy of the U.S. Government has been to stand fast. Treasury Secretary Henry H. Fowler recently told a prominent New York banker.

"The price of gold will not be changed in my lifetime."

Not everyone is so sanguine, including some of Fowler's own advisers who come together in a top-level committee on the balance of payments chaired by former Treasury Secretary Douglas Dillon.

The committee met in New York Friday. The Washington Post learned, and discussed a wide range of measures to handle the crisis.

Among other plans discussed was one conceived by Guido Carli, prominent Italian central banker.

WOULD LIMIT SALES

The Carli plan would limit the sale and purchase of existing gold reserves to the central banks themselves. This would "freeze" the existing supply of monetary gold, and hold the official price at $35.

Newly mined gold would not be bought by the central banks. It would flow to an outside market where the prices would presumably skyrocket. Many observers think this would be the prelude to forcing the official price up as well—or even "demonetizing" gold, that is, cutting the link between gold and currencies completely.

Whether it is the Carli plan or some other, it is now widely believed in financial markets that "something is cooking" which will change U.S. gold policies, and that the announcement may break suddenly, probably on a weekend when stock markets and other financial centers are closed.

"We've got a 'Blue Friday Alert' around here," said a bank aide in San Francisco. "And I guess no matter what happens or doesn't happen, it will be a long time before there's 'money as usual' again."

Thus, the belief that "something is cooking" itself becomes a market force, part of the psychology that drives speculators to further heights of frenzy.

In the case of gold, they haven't made money yet but they can't lose: the U.S. gives speculators or investors a one-way option by guaranteeing the price at $35 an ounce. If the price goes up, the potential for profits is enormous. If it doesn't, the losses are minimal.

But this system is not likely to go on forever. Leif H. Olsen, First National City Bank vice president, comments: "The gold pool has become a monster." In the last six weeks of 1967, the pool ladled out $1.5 billion to "unofficial" buyers, which included speculators, Arab sheiks, some corporations and even central banks of some smaller countries such as Spain and Argentina.

(The top central bankers of the seven gold pool nations, including U.S. Federal Reserve Board Chairman William McChesney Martin, are meeting this weekend in Basel, Switzerland, under strict secrecy. While several of the bankers characterized the session as an "ordinary" monthly meeting, the presence of Martin was regarded as unusual.)

Gold buyers seem to be convinced that despite reiterated assurances that the U.S. will sell gold at $35 an ounce down to "the last bar," no government would willingly denude itself of gold.

Just as a military and strategic reserve, the U.S. would need a certain amount of gold, and many Europeans, according to former Treasury Under Secretary Robert V. Roosa, a decline to $10 billion would "trigger" a suspension of unrestricted gold sales.

U.S. stocks are now slightly under $12 billion, $10 billion less than ten years ago, and the lowest in 30 years.

Despite the crisis atmosphere, both Rockefeller and Peterson argued in separate interviews in the past two days that the $35 price for gold could and should be held.

Rockefeller said that the tax increase "has become a symbol and a test in the mind of the rest of the world whether we're serious about putting our houses in order." He and his chief economist William F. Butler insisted that the "best solution" is to preserve the present system, and that it can be done by concerted measures to reduce the balance of payments deficit.

PRESSURES CONCEDED

But both Rockefeller and Peterson conceded that doubts about the dollar, real or exaggerated, are creating tremendous pressures working the other way. At this stage of the game, they acknowledge, it is difficult to estimate the behavior of emotionally-charged markets.

Yale Professor Henry A. Wallich pointed out that one important consideration will be a natural desire on the part of the President to postpone basic decisions until after the election.

"The Administration will be tempted to ask," Wallich says, "'Which way can we make the gold last longer?' And that points to letting the London gold market go, and hoping the central banks won't sell gold to speculators, at least until after the election."

Others feel that since the price of gold is certain to go up, we might as well plan for it, now, in an orderly way.

NO LONGER HAVE OPTIONS

This view was articulated by George S. Moore, board chairman of the First National City Bank. He said in an interview:

"We no longer have the options. We might as well recognize reality."

Moore argues that "the present system isn't working, and we better do something different."

A first step should be to let the price of gold on the London market fluctuate upward, he said. That is, he would let speculators buy at $38 or $40 or some higher figure than $35 an ounce.

That would test the market, Moore feels, and make speculators nervous. But others disagree, feeling that this system would simply encourage speculators to keep buying, anticipating even higher prices.

Roy L. Reierson, economist and vice president of the Bankers Trust Co. of New York, last week argued for abandoning the $35 price entirely in the private market, leading to a two-price system for gold.

One way or another, this correspondent's conversations in the last few days suggest that the days of the London gold pool, as we now know it, are numbered.

[From the Washington Post, Mar. 11, 1968]

GOLD AT THE CROSSROADS—II: POOL FORMED IN 1960 TO HELP GOLD IS UNEXPECTED "VILLAIN" OF CRISIS

(By Hobart Rowen)

One of the unexpected "villains" of the dramatic scenario about modern day gold is the London market, better known as the London gold "pool."

It had its origins in the early 1950s, when the Eisenhower Administration agreed to sales by the Bank of England as an offset to existing black markets. By selling very small amounts, the price was kept in narrow limits.

But after a flurry of speculation during the Kennedy-Nixon campaign that sent the price to $40, it was felt that more formal arrangements to support the gold market in London would be useful psychologically and cost little.

Thus, the gold "pool" was established by eight nations in November, 1960 to stabilize the price within reasonable limits related to the U.S. price of $35 an ounce.

It has been in existence ever since, but few outside of the banking community were aware of it until last year.

Now, the gold pool has become a sort of Frankenstein, in effect an arrangement for private holders of dollars to convert them to gold—without even going through a central bank.

The French were first to recognize that the gold pool had backfired. Last June, when asked to contribute another $50 million in gold to cover its 9 per cent share of the pool the French said "no" and pulled out.

Belatedly, the cooperating free world nations are beginning to wonder themselves. "If gold is so important," Donald C. Cook, president of the American Electric Power Co. observed in an interview, "why do we let just anybody tap our reserves?"

(Cook, once thought to be in line to succeed Douglas Dillon as Secretary of the Treasury, is one of a minority of businessmen supporting the view of those economists who believe in cutting the gold-dollar link entirely.)

Former Under Secretary of the Treasury Robert V. Roosa said in an interview that some interim changes may have to be made in gold pool operations, with assurance that other central banks will not sell gold to their nationals, or to anyone else for a profit.

After the French dropped out of the gold pool, the United States which had a 50 per cent share, picked up the French quota, raising the U.S. commitment to 59 per cent. Other nations in the pool are England, Belgium, Holland, Germany, Italy and Switzerland. The actual trades are handled by the Bank of England acting for the group.

These seven countries lost about $1.5 billion out of their own gold reserves after the Nov. 18 devaluation of the British pound and the wild speculation that the U.S. contribution was about $900 million.

But if the gold pool provides the conduit for speculative demand, it is merely a symptom of the underlying problem. Closing down of the pool, which may prove to be a necessary palliative, will not solve the current basic problems of the international monetary system.

Most experts now agree that events have overtaken the basic assumption that the U.S. commitment to buy and sell gold at $35 an ounce supports the market—and that without that commitment, the price of gold would fall.

In fact, the private demand for gold has boomed so sharply in the last ten years that new gold production can't keep pace. Thus speculators' hunger for gold has been satisfied—at $35 an ounce—straight out of governmental reserves.

Miroslav A. Kriz of the First National City Bank of New York, one of the acknowledged experts, estimates that private absorption of gold in 1967 hit the phenomenal total of $2.5 billion and perhaps even more.

TOTAL HOARD $20 BILLION

In the past ten years, about $10 billion to $12 billion in gold has moved into private hands, and such hoards probably are in the range of $20 billion or so. In India, the Middle East, and the Far East, savings traditionally are held in gold, not in paper money or sophisticated investments.

Michael Spieler, financial adviser to the Union Corporation Ltd. of London, estimates that private individuals in France alone are hoarding about 150 million ounces, or about $5.25 billion at the present $35 an ounce price. The war in Vietnam has boosted the possibilities for gold hoarding in that area of the world.

In addition, gold has become relatively cheap as an industrial metal. Kriz estimates that about $600 million worth of gold went into aerospace, electronic, electrical and jewelry uses last year. And Herbert E. Woolley, an economic adviser to the Agency for International Development estimates that this figure could grow to $1 billion annually.

Facing the issue of rising demand and a downward trend in output, and acknowledging that the gold hoarding has deep, and not easily reversible psychological roots, the major industrial nations four or five years ago began casting about for a way to increase world monetary reserves without increasing the price of gold.

This led, after a long and painful series of discussions, to a proposal for the creation of a new form of international credit or asset, known as Special Drawing Rights. This scheme would create, under specified conditions some billions of "paper gold" each year, which would ease the strain.

If speculators tapped official gold reserves, the SDR's would be there to replace them.

But time may also have overtaken the SDR plan, which at best could not be put into effect for 18 months to two years. And this is due in part to the obvious fact that some central banks outside of the United States are now leaning to the speculators' view that gold is safer than the dollar, or at least a preferred asset in their own reserves.

There are two elements in the present worry about the dollar. The International Monetary Fund's managing director, Pierre-Paul Schweitzer, referred to the first in a gloomy speech in New York last week.

DOLLAR GETS ATTENTION

The devaluation of the pound, Schweitzer said, diverted attention to the dollar and deepened "misgivings" about it. There is a growing mistrust of currencies, in other words.

The second element is related: against U.S. gold holdings of about $12 billion, there are foreign dollar liabilities, official and unofficial, which exceeded $35 billion at the end of 1967. And so long as the U.S. balance of payments continues in deficit, the gap between those two figures must grow.

Thus central banks are tempted to get some gold while the getting is good.

From the end of 1949 to the end of 1956, for example, the Common Market countries added only $3 billion in gold to their reserves, or 46 per cent of the total increase in their holdings, the rest being dollars or other currencies.

But from the end of 1956 to 1966, these same countries added $11.9 billion in gold to their reserves, or 90 per cent of the total increase in their holdings.

And where did the lion's share of that increase in European gold holdings come from? Right out of U.S. reserves.

U.S. stocks of gold, down $10 billion since the end of 1957 to less than $12 billion at the end of 1967, are at the lowest point in 30 years. As more gold flows through the London pool, the U.S. stock dips toward the $10.6 billion isolated by the present 25 per cent gold cover requirement against currency.

Hence, the Administration belatedly asked Congress to remove this restraint. The bill squeaked through by 9 votes in the House, and is yet to come up in the Senate.

ELABORATE EFFORTS

The drain on U.S. gold reserves would have been even more pronounced in the past few years without elaborate efforts by the United States to get its friends in Europe to hold more dollars than they'd really like to. Thus, Germany has agreed to hang onto dollars acquired via expenditures there by U.S. troops.

Another significant evidence of the preference for gold among central banks as well as speculators may be seen in the details of the $1.4 billion IMF loan to Britain at the end of 1967.

Fifteen of the 17 participating nations specified that the IMF must raise $400 million of the loan by selling that much gold to them in exchange for currencies.

At a recent seminar conducted by the House Republican policy committee, gold expert Edward M. Bernstein, one of the originators of the Bretton Woods agreement, made this observation:

"As the gold holdings (of the U.S.) go down, the good fellows who have been standing on line and saying, 'We're going to hold onto those dollars forever,' begin to say that those fellows who are pushing up to the window aren't playing fair—we had better get ours before we get stuck . . .

"Even those (central bankers) who criticize us the most, really only fear that someone else is going to get the gold and then they will be told that they have failed to protect the interests of their country.

"You would be astonished at the amount of ingenuity that central bankers are applying right now to the devising of techniques by which they will be able to tell their public: 'Look, we protected our interests even if something happens to gold.'

"In my opinion, we have reached the stage where we must do something now or the movement toward a gold crisis will accelerate."

GOLD AT THE CROSSROADS—III: ANY PRICE INCREASE—SPECULATORS' WINDFALL

(By Hobart Rowen)

A gold price increase from $35 to $70 an ounce, as urged by the French, is labeled "disruptive" by Federal Reserve Chairman William McC. Martin, "terrifying" by German Central Banker Otmar Emminger, and "crude" by Pierre-Paul Schweitzer of the International Monetary Fund.

But George S. Moore, president of the First National City Bank of New York insists that effects of a gold price increase would be "minimal" provided the major nations "made the move in an orderly way over a weekend." Moore did not discuss a specific price.

Walter Hoadley, senior vice president and economist for the Bank of America, warned in an interview that all of the consequences for the world simply could not be set down in advance.

Most experts queried by The Washington Post agree. "It is one of the murkiest of all areas," said one investment broker.

There are certain broad generalizations, however, the most experts would agree on:

A gold price increase would flush out some of the existing hoards of gold. But there is no agreement on how much "dis-hoarding" there would be.

There would be some response to a new price in terms of greater production of gold, a benefit primarily to Russia and South Africa. But again, there is no unanimous view on how much.

There would be a great windfall for those speculators and nations holding gold, and an unfortunate hardship for those nations such as Japan and Sweden that relied on dollars—and the U.S. commitment to maintain the price at $35 an ounce.

There would be inflationary consequences, potentially serious. The sudden increase in liquid holdings by individuals and governments could boom demand for stocks and commodities. On the other hand, Moore suggests that money would initially rush to the U.S. for investment in bonds that could reduce interest rates by 2 percentage points.

The United States, if the price of gold were doubled to $70 an ounce, would have almost $24 billion in gold instead of $12 billion—and the French (who are the major backers of such a move) insist that there would then have to be an agreement for the U.S. to pay off official dollar liabilities.

European countries would find their gold holdings increased from $19 billion to $38 billion, plus the conversion into gold of existing official dollar liabilities of $16.5 billion.

The prospect of the ensuing inflation is what terrifies Emminger and others who believe that growth in international monetary reserves must be better controlled than through a massive gold price increase that distributes a terrific bonanza with an uneven hand.

Most observers think that any gold price increase would have to be big enough to be considered "semi-permanent." A rise of just a few dollars, or the "moving peg" idea that would raise the price a little bit each year would just lead to expectations of more.

Even a doubling in the price of gold might not cool speculative fever. "A change . . . if made once," says gold expert Miroslav A. Kriz, "could be made again, and more often than once in every generation. This mere idea of repetition at intervals invalidates the role of gold as a fixed point of reference."

EFFECT ON INDIVIDUAL

From the standpoint of the individual citizen, the consequences of a gold price increase would not necessarily be the same as devaluation of the dollar.

If gold were increased to $70 an ounce, the U.S. dollar would momentarily be cut in half, because each dollar would be worth only 1/70th of an ounce of gold instead of 1/35th.

But every other nation in the world, most experts say, would devalue its currency by the same amount, to protect itself against a flood of half-priced American imports.

Thus to the average person a dollar would still buy the same amount of most goods and services—except for gold and articles made of gold.

The value of American dollar assets, such as stocks, bonds or mortgages, would also be unaffected, again assuming equivalent devaluation of currencies by other major nations.

But nothing can be guaranteed in advance. Strongly against a gold price increase, Chase Manhattan Bank Vice President William F. Butler notes that "there is no way to be completely sure that an increase in the price of gold would not set off a round of competitive devaluations and beggar-thy-neighbor trade restriction policies."

Moreover, if predictions of inflation are borne out, the real purchasing power of all currencies would decline. Many experts think that there would be a tendency to buy stocks as a hedge against inflation—but no one wants to predict, either, how long such a stock market boom would last.

IMPACT IN EUROPE

There is a feeling that the impact on the average citizen in Europe would be greater, because individuals in some countries there are permitted to own gold. Thus, the average Frenchman, with gold revalued upward, might regard the French franc as actually having been devalued.

Yet, for all of the uncertainties attached to a gold price increase, many influential banking and business leaders would prefer a price increase than a cutting away from gold entirely, assuming that some changes in the international monetary system becomes necessary.

"Gold has a value only because we give that value to it," says Donald Cook, president of American Electric Power Co. "We should cut loose, go to flexible exchange rates, which will solve our balance of payments problem, and let industrial and jewelry demand set the price."

Yale University Professor James Tobin agrees with Cook. "The bankers want the same system all over again," he says, "with a higher price giving fixed exchange rates a new lease on life."

Bankers and businessmen agree that a higher price for gold doesn't solve the balance of payments problem—but they distrust floating rates.

Says Tobin: "A price increase merely would encourage the further use of resources for extracting a bad substitute for paper money out of the ground."

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. BREWSTER. I am happy to yield to the distinguished chairman.

Mr. SPARKMAN. First, I wish to commend the Senator from Maryland for his very fine and very clear presentation.

The Senator referred to the study that was made by the Banking and Currency Committee in each House, and I particularly refer to the one made by the Senate Banking and Currency Committee.

The Senator is aware, I presume—I believe I am correct in this statement—that every economist, every witness who appeared before our committee, testified to the necessity of having this bill. Does not the Senator from Maryland believe that that is pretty powerful testimony as to the need for the action we are proposing?

Mr. BREWSTER. I commend both the Committee on Banking and Currency and its distinguished chairman [Mr. SPARKMAN] for the hearings it has held and the report it has submitted to the Senate. Certainly, as the chairman points out so ably, the vast preponderance of the evidence presented to his committee shows the need for this legislation and the reasonableness of it.

Mr. SPARKMAN. I thank the Senator from Maryland.

Mr. BYRD of West Virginia. Mr. President, I ask for the yeas and nays on the Church amendment.

The yeas and nays were ordered.

Mr. BIBLE. Mr. President, I address myself to the pending bill and to the pending amendment.

I want the RECORD to show clearly that I am unalterably opposed to the bill now before us to remove the gold backing from our Federal Reserve notes.

While I have heard proponents of this legislation state that gold was not important to our dollar and that the dollar was good only for the goods which it could purchase and that the faith and trust in this Nation's ability to deliver goods was all that mattered, I cannot buy this fallacious argument.

If this were a true statement, we would not now be facing a gold crisis.

Just 3 years ago, Congress took action which removed the gold cover from deposits at Federal Reserve banks and thus released approximately $5 billion in gold to be used to meet demands of foreign nations on our gold stocks. I opposed this measure and stated at that time that this was a temporary measure which, in my opinion, would not relieve the pressure on our gold reserves.

Spokesmen for the administration have stated that we should maintain the price of gold at $35 per ounce. We cannot do this under any circumstances.

We cannot maintain this price if the legislation is passed that is now before the Senate. We cannot for long maintain the price if the legislation is defeated.

It is my strong belief that the only reason foreign nations have held our dollars in large amounts is that they know they can secure gold instead of goods when they are squaring their accounts in international trade.

Since the devaluation of the pound, there has been an unprecedented run on gold. Our foreign friends anticipate the dollar will be devalued.

Speculators are in the market, and they should be, for if the Senate passes this legislation, the price of gold will double and triple within a very short time.

The London gold pool has been undergoing tremendous strains. This pool was established to strengthen the currencies of some eight nations, namely France, England, Belgium, Holland, Germany, Italy, Switzerland, and the United States, with each nation contributing gold to the pool. When France dropped out, the United States, as usual assumed the obligation and now has a commitment of 59 percent to the pool.

Since the devaluation of the pound, the pool has lost $1.5 billion of its gold reserves.

The gold pool provides a conduit for speculative demand. I contend this should not be so. It should provide assurances that Central banks will not sell gold for profit. Yet these very same banks are drawing from the pool.

The private demand for gold is such that new gold production cannot keep pace and meet the present demands. It has been estimated that in 1967 alone private absorption of gold totaled approximately $2.5 billion.

If this Nation had established a realistic price for gold and permitted the price to rise as the price of other products have risen during the past 30 years, we would not now be in the dilemma we face.

I have, along with several other Senators, tried for years to secure a realistic increase in the price of gold; however, this legislation has never been considered by the Senate.

We know that a black market exists in gold in many nations.

The February 26 issue of the Wall Street Journal carried a banner headline on "The Gold Hustlers," an article which I shall later offer for the RECORD.

The article states in brief that while the official price remains at $35 per ounce, hoarders are so doubtful of the value of the dollar that they are ready and willing to pay up to $85 per ounce. A brisk business has been going on in the Near and Far East for months.

The March 11 issue of the Washington Post quotes Pierre Paul Schweitzer, managing director of the International Monetary Fund as stating "devaluation of the pound, diverted attention to the dollar and deepened misgivings about it." There is a growing mistrust of currencies and when such a mistrust exists, people of the world will turn to minerals of value, namely gold and silver.

Our gold holdings are now approximately $12 billions of which approximately $1.3 billion is available for backing the dollar in our international trade.

There is no real reason why this nation should give every ounce of its gold to our foreign friends.

There is a real and immediate need to stop our large balance-of-payments deficit.

As every Member of the Senate knows, I have been a consistent opponent of our foreign aid. I believe that this measure has long outlived its usefulness. It has assisted in causing a drain on our gold and it has assisted in causing our continued balance-of-payments deficit.

It is my belief we cannot continue to be our brother's keeper throughout the world.

It is time we took a long hard look at the road ahead.

If this legislation is acted upon favorably, I sincerely believe that our foreign friends will draw down every last ounce of gold we have unless an embargo is placed at some time in the immediate future.

It has been stated by one gold expert, Edward M. Bernstein:

> As the gold holdings of the U.S. go down, the good fellows who have been standing in line and saying, "We're going to hold onto those dollars forever," begin to say that those fellows who have been pushing up to the window aren't playing fair—we had better get ours before we get stuck.
>
> Even those central bankers who criticize us the most, really fear that someone else is going to get the gold; then they will be told that they have failed to protect the interests of their country.
>
> You would be astonished at the amount of ingenuity that central bankers are applying right now to the devising of techniques by which they will be able to tell their public: "Look, we protected our interests even if something happens to gold."

I believe Mr. Bernstein is absolutely correct. There are but few foreign nations that will come to the rescue of this Nation. They believe us to be the biggest suckers of the century and I join them in this belief.

There is nothing in the world to keep the Federal Reserve Board from suspending the gold reserve requirement for a period of up to 30 days and to renew such suspension for 15-day periods thereafter. They now have this authority.

Mr. President, I ask unanimous consent to have printed in the RECORD the article of February 26, printed in the Wall Street Journal, and referred to in my earlier remarks. I urge my colleagues to read this timely article, if they have not already done so.

It proves better than I can state the value of gold in our monetary system.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, Feb. 26, 1968]

THE GOLD HUSTLERS: MERCHANTS IN TINY PORT ON PERSIAN GULF THRIVE BY SMUGGLING TO INDIA—OFFICIAL PRICE $35 AN OUNCE, BUT HOARDERS DOUBT VALUE OF DOLLAR, PAY UP TO $85—DUBAI DHOWS VERSUS INDIAN NAVY

(By Ray Vicker)

DUBAI, TRUCIAL STATES.—On a recent trip to this Persian Gulf port, I picked up two offers to go into business—gold smuggling.

I turned down both. But if I had accepted—and it wouldn't have taken too much cash—I could have participated in a scene that would make Sinbad the Sailor, that legendary voyager from the Arabian Nights, feel right at home.

Gold is a commodity that has fascinated the Near and Far East since before Sinbad's day, and the fascination continues. Cargoes of the yellow metal, melted into biscuit-sized wafers and stowed in the pockets of specially made sailors' jackets, sail mysteriously from here out into the Gulf of Oman in Arab dhows. In these vessels, or others, silver comes to Dubai, the port which constitutes one of the tiny principalities known as the Trucial States. (The portion of the Arabian peninsula they occupy was once known as the Pirate Coast, but in 1935 Britain persuaded the principalities to sign a truce stopping their frequent wars and accept British guidance of their foreign relations—hence their present group name.)

If the scene is Arabian Nights, however, the tale has a very modern twist: Dwindling confidence around the world in the value of paper currencies, including the dollar. While the U.S. Government struggles to keep the price of gold at $35 an ounce—any increase in the official price would amount to devaluation of the dollar—hoarders in India will pay $70 to $85 an ounce, and the market is booming in other nations as well.

It is illegal for private American citizens to buy and sell gold, and India forbids importing gold. But Dubai is a laissez-faire "free port," and about $150 million worth of gold poured in last year for transshipment elsewhere.

THE DESTINATION

It's no secret that most of the metal goes to India. The "gold fleet" based in Dubai consists of about 50 dhows. These are trim vessels about 50 feet long with unpainted teak hulls and powerful marine engines (they have masts, but not all carry sails), designed to elude naval vessels that patrol the coast of India, 1,200 miles away. But though the destination is no secret, Mehdi Tajir, chubby director of Dubai's Department of Ruler's Affairs and Petroleum, says: "We don't ask where anything is going when it leaves here, and we don't care how it gets there."

"We buy gold and we sell it," say W. R. Duff, the lanky Englishman who functions as general inspector, Ports and Customs. "It is imported legally and exported legally. What happens to the gold after it leaves here isn't our affair." Dubai's flourishing economy has produced a financial community here, including First National City Bank of New York, which has special permission from the U.S. Treasury to deal in gold.

Payment for the gold often is in silver. In 1967, 250 tons were transshipped from Dubai to Europe; only the U.S. and the Soviet Union export more silver annually. Where does the silver come from? Mr. Duff grins wryly. "It just appears here from the silver mines at the end of the creek," he says. (A creek runs through the center of Dubai, giving it the best harbor in this part of the world.)

DEMAND SETS THE PRICE

The flourishing gold trade here is cited by some dealers to dispute those monetary authorities who argue that if the U.S. severed the dollar's link to gold, the price of gold would drop. "It is demand for gold that is setting the price today, not the American Government," says Guy Field, assistant director of Samuel Montagu & Co., London, a major bullion dealer. "Most Americans can't even begin to realize the depth of the feeling for gold that people have in the Middle East and India."

Mr. Field spoke in the first class compartment of a British Overseas Airways Corp. VC-10 bound from Beirut, Lebanon to Dubai on a night flight. An undisclosed number of gold bars rode in the hold, and four gold bullion dealers were among the passengers, along with several individuals in Arab robes and kefiyehs (head scarves) who identify themselves as "merchants." It was from one of these merchants that I got my first gold-smuggling partnership offer.

My second offer came later from a merchant in one of the narrow alleys in Duba's suk, or market. Stirring his cardamon-flavored coffee, he said: "Fifty tolas ($666) in gold is all it takes, more if you like. Profits on the investment should be 50% to 100% in a year, I guarantee you that." He pauses thoughtfully. "Of course," he adds, "there can be no guarantee or insurance in this business. Sometimes the Indian Navy is alert and Allah is not merciful."

"Handling gold is just routine business here," says an official at the modern office of First National City Bank. "We're only an agent in this trade. It's perfectly legal here, you know." A British banker points out that banks here merely receive consignments from bullion dealers and then transfer them to merchants under orders from the dealers. "There is not much profit in this for the banks," he says. "Gold is handled as a service to regular customers."

SECURITY NO PROBLEM

First National City treats the business so casually that it picks up gold at the airport in a Land Rover. The bullion, packed in cardboard boxes, is dumped into the vehicle like ordinary freight and trundled to the bank for storage. Inspector Duff explains that security isn't a problem: "We have no crime here."

His second floor office in a customs shed overlooks a wharf where ragged Pakistani stevedores swarm over a dhow with a cargo of textiles. Small boats scurry back and forth across the river, and scores of other dhows are anchored in the harbor or moored at wharves that run along the river for three miles.

Sunlight glints on whitewashed buildings in this capital city. Many mud huts have wind towers three stories high to catch every breeze for house interiors. The few modern office buildings and shores under construction bristle with air conditioners designed to make life tolerable in summer temperatures reaching 130 degrees.

The six-story Carlton Hotel towers above a dank mud flat, across which half a dozen camels amble, Bedouin riders bent low with faces swathed in scarves against sand whipped in from the desert by brisk winds.

If the setting is intriguing, the cast of characters in Dubai's gold trade also is noteworthy. Mr. Tajir, the Department of Ruler's Affairs director who is known as "the man who gets things done around here," lives in a marble-floored palace containing a marble dining table with a goldfish pool in its center. He is the proud owner of one of the world's best private collections of Persian carpets.

Sheik Rashid bin Said al Maktoum, Dubai's ruler, is shrewd and energetic. He has managed to stretch revenues from a modest customs duty of 4.625% on dutiable goods to provide his little nation with the best roads, schools, hospitals and public works to be found in the Trucial States.

He is a small-boned and wiry man with a hook nose and a tuft of graying beard, with a kefiyeh bound on his head by a black band. Told that his city is described as "the smuggling capital of the world," the sheik smiles and retorts, "We smuggle nothing." He emphasizes his intention of maintaining Dubai as a free port; his government doesn't participate in any of the trade transactions.

Another curious item in the Dubai economy is watches. In 1967 the principality imported $15 million worth of Swiss watches, making it the world's biggest single export market, for the Swiss makers. Customs records list the timepieces as "household goods" without showing their destination, but sources here say they are a lucrative part of the smuggling traffic with India and Pakistan.

Dubai's gold traffic really originates several thousand miles away, at the London Gold Market operated in a mahogany-paneled room at N. M. Rothschild, near the Bank of England. Here half a dozen dealers take orders by cable or telephone, some of them from Swiss banks who will buy for a customer anywhere, including customers who live behind the Iron Curtain.

THE TRADERS

Rothschild is shunned by Arab merchants as a Jewish organization, and the Dubai gold business in London is handled chiefly by four firms: Samuel Montagu; Mocatta & Goldsmid Ltd.; Sharps, Pixley & Co. Ltd.; and Swiss Bank Corp., Basel. "This is a fairly steady business," says S. R. V. Pixley, managing director of Sharps, Pixley.

Orders from Dubai are for bars of ten tolas each. Such a bar contains 3.75 ounces of gold, worth $133.20 in Dubai on a recent day, and each is about the size of a calling card, about one quarter of an inch thick—handy for stowing in a vest pocket or a canvas smuggling jacket. Gold refining firms in London recast standard-sized gold bars into these smaller bars.

Packed like crackers into cardboard boxes, the gold bars are toted in armored cars to London's airport for shipment. By consigning gold to bankers, rather than Dubai merchants, the London dealers are assured payment. The chief banks doing this business in Dubai are the British Bank of the Middle East, First National City Bank, the Bank of Oman, and the National Bank of Dubai.

Information from various sources indicates that there are seven major gold smuggling syndicates in Dubai; plus perhaps a dozen smaller ones, each with a complex of agents in India and elsewhere. But the Dubai dealers are hard to find; they tend to operate behind facades such as appliance distributorships, food retailing shops and construction firms, and they are close-mouthed about gold.

WHO, ME?

At the ground floor shop of General Impex Co., a dozen Amana deep freezers are on display. In the second floor offices the owner, Abdulla Rustomani, looks up and smiles guardedly as the creaking stairs announce a visitor. The smile fades when he is asked about his connection with the gold business. "We cannot discuss our business," he says gruffly.

In a crowded suk across the river, Sultan al Owais is found at the office of his Austin motor car dealership and Hotpoint appliance distributorship. Goats are nibbling at garbage cans outside the building, but the office is surprisingly well-appointed. Mr. al Owais, a wiry and wary man with a small mustache, concedes that he is a gold importer when told that his name was on a recent shipment.

"But all my gold is sold on the local market," he says. Does he run gold into India? "We are not doing it now," he replies coldly. He picks up a telephone, dials an extension, and converses in rapid Arabic. Moments later a broad-shouldered aide with thick arms and a scowl enters the room.

"You will go now," Mr. al Owais says. I went.

Ali Bustani, operator of National Printing Press, is more genial. A large, relaxed man, he laughs uproariously when asked about the gold trade. "Why should I be in the business when I have a good trade here?" he asks facetiously. Then he leans forward, extending thumb and forefinger slightly apart, and his grin broadens. "Maybe I am in it," he says. "Just a little."

THE INVESTMENT PICTURE

Anybody can enter the business, if he has contacts and capital. A typical Pakistani-built smuggling dhow costs about $30,000, and if it is seized, there are no reparations. To spread the risk, a syndicate operator usually sells shares for the season, beginning in September. Summer monsoons in the Indian Ocean imperil the dhows, so the season normally ends in June. But demand was so heavy last year that some operators kept dhows on the move through the summer.

Fifty tolas of gold is the usual minimum investment, and the investor gets no certificates, only a handshake. But each operator keeps a ledger listing profits from each voyage, and an accounting is made at the end of the season. It isn't unusual for an investor to double his money.

But there are hazardous aspects to the business. Indian Navy and Customs boats are on the outlook for dhows. Agents sometimes abscond with gold bars. Bribes to Indian officials can be expensive. Repayment for the gold is tricky; dollars are preferred, but dollars are scarce in India, and black market rates can affect profits.

The vessels of the gold fleet have engines of 300 to 325 horsepower, sufficient for speeds up to 20 knots. One that I visited at anchor in Dubai Creek had no name on the stern and no canvas on the boom. The mast was an antenna for a powerful radio located under a canvas shelter on the poop deck.

A Pakistani sailor helped me clamber aboard. Ali, the swarthy, bearded captain, wore a turban and a white robe flapping around thin legs. Most of the sailors in the eight-man crew were lounging under a canvas awning to the rear of the mast.

CARGO IS STOWED

More than a million dollars worth of gold was aboard, all of it in smuggling jackets. These garments look like uninflated life preservers, but have dozens of pockets into which the small bars are slipped.

The run from Dubai to the Indian coast takes four and a half days, out into the Persian Gulf, northeast through the Strait of Hormuz, and into the Gulf of Oman, where the towering mountains of Muscat loom to the south. The gulf fades into the Indian Ocean.

No landfall is made in India. By prearrangement, the smuggling dhow meets a fishing boat that has put out from one of the many villages along the western Indian coast. The boats are lashed together. Normally the gold-laden jackets are passed from one craft to the other, but if the weather is rough, crew members may don the jackets and take them one at a time to the fishing boat.

When the Indian fishing boat returns to its harbor, crew members simply wear the jackets under their gowns, averting suspicion, and stroll to a waiting truck. At night the jackets are tossed like sacks of mail into the vehicle for transport to the Indian distributors.

THE HOARDERS

The Indian peasant woman with gold bracelets on her arm and a nugget in her nose realizes that in hard times the village money lender may demand gold as security for a loan. But India isn't the only destination for smuggled gold. Brazil provides a big market, and citizens of Japan, Communist China and the nations of Southeast Asia also turn to the smugglers.

Moreover, hoarding is legal in nations like West Germany, Switzerland and France. Deutsche Gold-und-Silber-Scheideanstalt (Degussa) in Frankfurt estimates that West German hoarders have $1.2 billion worth of gold. In France, more than $5 billion worth of gold is in private hands, only $1.1 billion less than the French Government holds.

Experts estimate that $80 billion to $85 billion worth of gold has been mined throughout recorded history, over three quarters of it in this century. About $43 billion is in central banks, government treasuries and international institutions. Another $20 billion to $25 billion is estimated to be in private hands, awaiting hard times or currency devaluations.

The hoarders appear to be gaining ground. In 1967 central bank's holdings declined somewhat. All of the approximately 41 million fine ounces of gold produced in that year went to private holders and industrial users.

First National City Bank estimates that at least $2.5 billion worth of gold went into private hoards and industrial use in 1967, $1 billion more than in 1966. The steadily diminishing U.S. gold reserves now stand at less than $12 billion.

THE GOLD CRISIS

Mr. HANSEN. Mr. President, the trouble with the administration's proposal to remove the gold cover from our Federal Reserve notes is that it is just one more hasty stopgap. Taken in the context of other hasty measures and administration fumbling, one wonders whether this step will restore confidence in the dollar at all.

The New York Times Saturday put its finger on the present crisis in confidence in the dollar:

> The fumbling of the authorities is clearly contributing to the demand for gold . . . What is needed now is some clear sign that the bumbling and indecisiveness will be replaced by a positive and constructive program that will keep the system in operation.

Making more gold reserves available, Mr. President, is not much more likely to restore confidence in the dollar than did the removal of the backing for Federal Reserve deposits 3 years ago. What we need is a positive program to cut nonessential Federal spending, at home and abroad. As the Times put it:

> There is still time to prevent collapse, provided time is used wisely. The administration is taking grave risks in continuing to rely on its proposed tax surcharge and a balance-of-payments program that have run into Congressional roadblocks. It has to come up with contingency plans that will bring about reductions in its own nonessential spending at home and abroad.
>
> In particular, it must see to it that the huge dollar outflow caused by the war in Vietnam is kept from rising, which calls for much more intensive policing of all procurement practices, the sequestering of payments to government employes and the Armed Forces, and a ruthless crackdown on black market activities.

Here, then, are positive steps to restore confidence in the dollar. I only wish we had some assurance that the administration would take steps like these. But, if past behavior—behavior covering more than 7 years—is any indication, my conclusion must be that the administration will not take positive, necessary, and responsible action—now.

Mr. President, to better show how the administration has failed in its responsibility to maintain confidence in the soundness of the dollar, I ask unanimous consent that the entire editorial from the New York Times of March 9, from which I have been quoting, be inserted in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

These are trying days in the foreign exchange markets. There has been remarkably little letup in the hectic trading that has prevailed since the pound sterling came under attack last fall. The U.S. dollar, the Canadian dollar and the devalued pound have all been under intermittent pressure while demand for gold has soared.

What is surprising and depressing is the inability of those responsible for operating the system to anticipate and defend against attack. The failure to devise an effective early warning system to spot trouble before it develops means that the United States and its allies are forced to react with hastily contrived stopgaps after extensive damage has been done. The Treasury's repeated reassurances that it will maintain the fixed rate of exchange between the dollar and gold does not by itself inspire confidence in the system or its operators.

The Treasury's latest decision to exempt Canada from its measures to improve the nation's balance of payments emphasizes the perils in improvisation. Ottawa, which has cooperated effectively with Washington, should never have been subject to the restrictive measures in the first place. In failing to consider Canada's special circumstances, the Treasury contributed to a serious weakening in Canadian currency without strengthening the American dollar. Now the Administration has had to rescind its directive and in addition provide a sizeable standby credit to help defend the Canadian dollar.

The fumbling of the authorities is clearly contributing to the demand for gold. It could well bring on a flight from all paper currencies, which would spell the end to the present system before something better is put in its place. What is needed now is some clear sign that the bumbling and indecisiveness will be replaced by a positive and constructive program that will keep the system in operation.

There is still time to prevent collapse, provided time is used wisely. The Administration is taking grave risks in continuing to rely on its proposed tax surcharge and a balance-of-payments program that have run into Congressional roadblocks. It has to come up with contingency plans that will bring about reductions in its own nonessential spending at home and abroad. In particular, it must see to it that the huge dollar outflow caused by the war in Vietnam is kept from rising, which calls for much more intensive policing of all procurement practices, the sequestering of payments to government employes and the Armed Forces, and a ruthless crackdown on black market activities.

Given a strong program that demonstrates the Administration has control over the situation, Washington can command the support of international cooperation in bolstering the present system. While its own resources are still large, they are finite. Support will be needed to weather the storm.

THE WAY TO FIND GOLD IS TO MINE GOLD

Mr. GRUENING. Mr. President, whenever the attention of Congress is directed to the seriously depleted condition of gold reserves of the Treasury, we who represent States where gold mining was once an important industry feel a forlorn hope that, at long last, the plight of the gold miner will also receive some attention. Although the very consideration of the bill now pending demonstrates that the United States lacks sufficient reserves of gold, thus necessitating the desperate action represented by H.R. 14743, the executive branch of the Government has failed miserably to recognize the imperative necessity of mining more gold to maintain our supplies.

Gold mining has virtually vanished as an industry in Alaska and elsewhere in the United States. The reason for this is perfectly clear in that it long ago became too expensive for gold miners to pay the inflated price of present-day costs of production of gold when their income is limited by law to a $35-an-ounce price of gold set in 1934. As a result, the production of gold in the United States has steadily declined over the years from a high volume of approximately 5 million ounces in 1940 to less than 2 million ounces in 1966.

Now the Treasury Department seems to have reached a stage of panic in searching for means of supplying gold to meet obligations of foreign creditors. Thus, the administration offers the remedy provided in H.R. 14743. The result of the enactment of that proposed legislation would not, of course, make any change with respect to the convertibility of domestic currency into gold, since this has not been possible since the enactment of the Gold Reserve Act in 1934. The only result would be the releasing of $10.7 billion of gold reserves for redemption of indebtedness incurred abroad.

In the light of the startling decline of our gold reserves which has occurred in the last 18 years—from a peak of $24.6 billion in June 1949 to current reserves of about $12 billion—it is doubtful whether the pending legislation provides a long-term solution to the problem of maintaining adequate gold reserves to meet demands of foreign creditors. It is my opinion that all we could look forward to with enactment of this legislation would be depletion of the $10.7 billion reserve at as rapid or a faster rate than the more than $12 billion which has gone out of this country since 1949.

As the House Committee on Banking and Currency report on the House bill, H.R. 14743, points out, a major factor in the recent decrease in gold reserves is the acquisition of large amounts of gold by private hoarders. I see no reason why the availability of more gold from our stocks would do anything except to stimulate purchases by private speculators. Thus, it would appear that only with the passage of an uncertain length of time we would find ourselves without any gold reserves at all.

It remains my opinion that the only realistic way we can meet intelligently the problem presented by the drain on our gold reserves is to dig more gold. It is my further opinion we would be better advised to dig the gold we need from the reserves provided by nature than to dig into our reserves in the Treasury. This can be done.

Repeatedly, over the years, bills have been introduced by Members of Congress to provide relief for gold miners, thus making possible increased production of gold. However, just as repeatedly, these efforts have failed, and failed again, because of the peculiar attitude of the Treasury Department, meekly followed by the Interior Department, that any aid to gold miners would somehow be conceived as an effort to change the price of gold, thereby producing an international financial panic. Although a panic seems now to have threatened without any benefit to the gold miners or promise of aid, the opposition of the executive branch to remedial legislation has, unfortunately, been so powerful that it has not been deemed possible to enact suitable legislation.

A measure which could encourage production of more gold lies at hand. Resting on the calendar of the Senate is the bill, S. 49, which I introduced, and which is cosponsored by 20 other Senators. It is a bill which would compensate gold miners for differences in costs of production between those of 1940—when gold mining was at its peak—and today's costs. The measure has been reported for the third time by the Committee on Interior and Insular Affairs, having last been reported on March 14, 1967, nearly a year ago.

Certainly, the time is long passed for consideration by the Senate for this proposed legislation. It is my hope that S. 49 will receive early approval by the Senate.

THE GROWING COST OF VIETNAM

Mr. McGOVERN. Mr. President, the war in Vietnam is now costing us $32 billion a year. It is a major part of a total military budget that has mushroomed to $90 billion annually. In spite of restrictions on many domestic programs, the cost of the war has resulted in inflation, a huge government deficit, an alarming outflow of gold, and a request for new taxes.

American combat troops and bombers were moved into the war in Vietnam early in 1965 and our youth have been forfeiting life and limb on an increasing scale since then. As our involvement in the war has mounted, American corporation profits before taxes have climbed from $58 billion annually to $80 billion—a $22 billion increase. Less than half of this enormous profit increase has been recovered in taxes.

It would appear that the corporations retain after taxes at least $10 to $12 billion in excessive wartime profits. In contrast to these corporate profits, American farmers and many farm State businessmen are receiving less income than in peacetime 20 years ago. For the first time in our history, farm prices have gone down rather than up in wartime. Of course, the real losers in this war, as in all wars, are the soldiers and their families.

I think the time has come to take the profit out of war.

The Congress is now considering the President's request for a 10-percent surcharge on individual income tax rates to reduce the enormous budget deficits attributable to war costs. I urge instead a corporation war profits tax. It will bring in considerably more than the sum involved in the President's request, and it will represent far less sacrifice than that of the young men who give years out of their lives at inconsequential pay, plus the interruption of their educational, family, and career plans.

On one recent gigantic contract for the manufacture of M–16 rifles, Colt Industries made a 1,400-percent profit. During World War II, the Government recovered a significant portion of excessive profits of this kind—the war profits tax bringing in over $10 billion in 1944 alone. We need such a tax again.

I intend to vote against the proposed 10-percent surcharge tax. If more taxes are needed to finance our regrettable venture into Vietnamese affairs, let us collect those taxes from the interests that are getting fat off the war. Perhaps there will be fewer pressures propelling us into ill-advised foreign campaigns of this kind if we can devise a method for taking the profit out of them.

I also intend to oppose two other pending administration proposals: First, the removal of the gold cover; and, second, the proposal to tax American tourists traveling abroad.

Our policymakers seem determined to make America the policeman of the world, no matter what the cost. We continue to finance the presence of 300,000 U.S. troops in Western Europe, 23 years after World War II. This is in addition to 40,000 U.S. troops in Japan, 50,000 in Taiwan, 60,000 in South Korea, 50,000 on Okinawa and Guam, 35,000 in Thailand, and 525,000 in South Vietnam. It is sheer nonsense to tax the American people billions of dollars to maintain ground troops in Europe that the prosperous European countries are entirely capable of providing for themselves.

Our gold has been flowing into Europe, Vietnam, Korea, and elsewhere on a scale that has drained the Treasury of half the reserves of 20 years ago. The $23 billion in gold reserves we held in 1945 have dwindled to $12 billion today. Federal law now requires that the Government maintain a reserve of gold equal to 25 percent of all outstanding Federal Reserve currency. This so-called gold cover fluctuates, but now calls for $10 billion in gold to back up our domestic currency. This leaves only about $2 billion in additional gold reserves against $30 billion in foreign claims. Asking Congress to lift the gold cover is not a cure for the balance of payments; it is a temporary device that will simply further open up our dwindling gold reserves to foreign claimants. To suggest a tax on students, teachers, and other Americans traveling abroad as a means of correcting the drain of our gold is like trying to repair a leaky dam with a band-aid.

If we want to stop the drain on our gold—and I think that is imperative—let us stop trying to settle other people's civil wars. We fought our own civil war in this country a hundred years ago—the North against the South. If the big world powers of that day had tried to settle it for us, they might have destroyed our country. Yet, today we are devastating North and South Vietnam and wasting our blood and treasure trying to settle a civil conflict that we can neither understand nor control.

For several years, a few of us in the Senate have tried to persuade our national leaders to reduce our global ventures and commitments to a scale more in line with our capabilities and interest.

Today, we have commitments to 41 countries to rush our troops to their aid if they get into trouble. This is an incredible over-commitment that we cannot possibly keep. Our resources are already stretched so thin around the globe that a little fifth-rate state like North Korea dared to grab one of our ships off the high seas. Even in the highly crucial Middle East, one wonders what we are capable of doing if a major conflict erupts again as it is now threatening to do.

A Washington Post military analyst, John Maffre, reports that the Army's "quick reaction capability if there were another Cuban crisis is merely the remaining 10,000 men of the 82d Airborne Division at Fort Bragg, N.C." The same analyst reports that "the Marines are pared to the bone." We are so dangerously over-committed and over-extended in out-of-the-way places around the globe that we are unable to meet more important challenges to our security. To have our best troops and airpower bogged down in the Vietnamese jungle is to play into the hands of Peking and Moscow.

Now we are told that General Westmoreland wants another 200,000 American boys sent to Vietnam. If this request is granted, it will only mean that the other side will step up its commitment of manpower. Then, a year from now, we will be asked for still more troops. The result is not victory, but a steadily widening, bloodier, costlier war. We are being drawn into a bottomless pit in Asia. The time is long overdue to call a halt on this sacrifice of our sons in a futile effort to save a South Vietnamese regime that is so corrupt it does not have the respect or the support of its own people.

One of the few leverages Congress has left to restore a greater measure of commonsense to American policy is to deny the continuing drain of our gold and to reject the unwise tax increases now being requested to fuel the costs of globalism. I intend to use that leverage as best I can.

Mr. President, I yield the floor.

ORDER OF BUSINESS

Mr. SPARKMAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

INFLATION HITS HARDEST AT THE LITTLE FELLOW

Mr. MILLER. Mr. President, Alfred L. Malabre, Jr., of the Wall Street Journal discusses the current economic boom in an article he wrote for his newspaper's edition of February 28.

I should like to read two paragraphs from his article:

> What about the average worker with a wife and two kids?
>
> For him, the boom stopped rolling several years ago, Government statistics suggest. In terms of what it can buy, his weekly paycheck has been shrinking since 1965.

Mr. Malabre's analysis only bears out what I have been saying over and over again for several years—that inflation is hitting hardest at the little fellow, the average worker, the older citizen who must get by on his small pension or his annuity, and the boy or girl trying to get a college education.

With the purchasing power of the dollar shrinking steadily—it is now down to 40 cents—few can blame the worker for demanding more in his paycheck.

With taxes and prices continually on the uptrend, is there little wonder that there is more and more unrest in the Nation?

With the Congress failing to cut administration expenditures, is there anything on the horizon to indicate that inflation will be stemmed? I do not believe so.

Mr. President, I ask unanimous consent that the article, entitled "For Many, Weekly Pay Buys Less Than in 1965 as Taxes, Prices Rise," be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

BOOM FOR WHOM?—FOR MANY, WEEKLY PAY BUYS LESS THAN IN 1965 AS TAXES, PRICES RISE—DECLINE IN PURCHASING POWER HURTS NONSUPERVISORY JOBS, AGITATES UNION BARGAINERS—BUT HOURS DROP, FRINGES RISE

(By Alfred L. Malabre Jr.)

The boom rolls on—or does it?

Personal income in the U.S. glides from record to new record. Just since 1965, the total has increased some $90 billion, a sum that exceeds the gross national product of Canada or Italy.

But the overall record can be a deceptive gauge of the average worker's welfare. Total income figures are inflated by rising prices and include much besides weekly paychecks. And, of course, they cover everybody, including the executive who takes in $100,000-plus each year in salary and bonuses.

What about the average worker with a wife and two kids?

For him, the boom stopped rolling several years ago, Government statistics suggest. In terms of what it can buy, his weekly paycheck has been shrinking since 1965.

DIVIDED ATTENTION

The shrinkage—which obviously is offset more than a little by fatter health and pension benefits and shorter workweeks—gets scant attention from Administration spokesmen who boast about the long, continuing rise in the nation's overall economy. Or from business executives who say labor wants too much money for too little work.

But union leaders are giving the recent trend more than a little attention—which helps explain the present acerbic condition of management-labor relations in many industries in the U.S.

The table below is based on statistics compiled by the Government. It traces the average weekly pay of "nonsupervisory" employes in private businesses—persons ranging from white-collar clerks in a Merrill Lynch broker-age office to blue-collar assemblers on a General Motors production line. The figures are for workers with three dependents. To get at the pay's real purchasing power, it is expressed in terms of 1957–59 prices. Income and Social Security taxes also are taken out.

Year	*Weekly purchasing power of nonsupervisory workers*
1961	$71.48
1962	73.05
1963	73.63
1964	76.38
1965	78.53
1966	78.29
1967	78.23

It's ironic that the shrinkage began at roughly the time when some politicians and economists first started calling the economic expansion that started seven years ago a boom. It's also ironic that in 1960–61, the last recession period in the U.S., the weekly pay figure actually rose, to $71.48 from $70.77. In fact, the records show that only once before in the post-World War II era, during 1956–58, did the decline in the weekly total persist as long as the recent downturn.

The recent record no doubt would be worse if the figures also took into account steadily rising state and local sales and property taxes, all of which bite into purchasing power. Property tax payments, for instance, have swelled to about $27 billion annually from less than $20 billion in 1963. In contrast, Federal income tax rates were reduced in 1964, a year when purchasing power rose substantially.

Whether purchasing power will continue to shrink in 1968 depends on a variety of imponderables.

UNANSWERABLE QUESTIONS

What in Vietnam? Will inflation worsen? Will Congress increase taxes? Are wage-price controls coming? How effectively will union leaders press pay demands in coming months in such key industries as steel, construction, aluminum, apparel, aviation, maritime and shipbuilding?

Only this week, the AFL-CIO's policy-making executive council demanded a $2-an-hour minimum wage (the minimum for most workers went up to $1.60 from $1.40 at the start of this month.) The council also refused to go along with President Johnson's recent request for "voluntary" wage restraints this year.

Labor's emerging mood isn't likely to be softened by this little-publicized fact: The pay of supervisory personnel, such as that $100,000-plus executive, has been rising relatively rapidly.

The aggregate after-tax pay of supervisors, up to and including corporate presidents and chairmen, increased nearly 5% in 1967, according to Government estimates. But the comparable increase for nonsupervisory personnel was barely more than 3%. (These estimates do not adjust for inflation.)

"Relatively speaking, the income of the average worker in private industry has been stagnating," comments a senior Government economist.

FAST-RISING INTEREST

This relative "stagnation" also is apparent in other Government statistics that show earnings other than wage-salary income. These statistics show that income in the form of interest payments on investments rose about a third more rapidly in 1967 than wage-salary income.

Income in the form of dividend payments to stockholders, rose nearly as rapidly as wage-salary income, even though corporate after-tax earnings last year fell some 4%. Since 1961, dividend income has grown some 30% more rapidly than wage-salary income.

Such income, of course, goes to many employes at the bottom as well as the top of corporate ladders. But available data suggest the typical stockholder is more apt to be on the upper rungs. His family income averages roughly $10,000 a year; less than 30% of American families earn that much.

Not included in any of the income statistics: Profits—on paper or realized through capital gains—that executives often make through corporate stock-option plans that permit the purchase of securities at below-market prices. (Capital gains income, in fact, is not counted as a part of the nation's gross national product.)

As for nonsupervisory personnel, Government figures show that the shrinkage of purchasing power has been more severe in some occupations than other.

Nonsupervisory employes in retail and wholesale establishments are among those whose pay buys less than in 1965. In December, the average weekly purchasing power of a worker in these fields, with three dependents, stood at $64.14 down from $64.63 two years earlier. In the same period, the comparable figure for factory workers dropped from $89.75 to $88.87, and the figure for miners declined from $102.09 to $101.62.

On the other hand, some types of workers have managed to increase their purchasing power in recent years. Since 1965, the weekly figure for construction workers has climbed from $112.32 a week to $113.27. The figure for employes in finance, insurance and real estate has risen from $74.59 to $75.07.

There are other relatively bright spots in the picture. Though higher Social Security taxes are squeezing the average worker's paycheck, such money should eventually benefit him. And of course, it now benefits many older persons, and, through them, the general economy. In addition, employer contributions to pension, health and other such employee benefits have nearly doubled since the start of the expansion.

Analysts also note that most workers toil a shorter week nowadays. In retailing, the average workweek recently dropped below 35 hours, more than an hour shorter than the average for 1965. In addition, the nonsupervisory work force, at more than 45 million, has been growing rapidly; thus though the average paycheck buys less, there are more paychecks.

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT

Mr. BYRD of West Virginia. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 31 minutes p.m.) the Senate adjourned until tomorrow, Wednesday, March 13, 1968, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 12, 1968:

U.S. MARSHAL

Roy L. Call, of Alabama, to be U.S. marshal for the northern district of Alabama for the term of 4 years (reappointment).

DIPLOMATIC AND FOREIGN SERVICE

The following-named Foreign Service officers for promotion in the Foreign Service to the classes indicated:

Foreign Service officers of class 1:

Donald C. Bergus, of Pennsylvania.
Kennedy N. Crockett, of Virginia.
Charles S. Whitehouse, of Rhode Island.

Foreign Service officers of class 1 and consular officers of the United States of America:

Robert Anderson, of Massachusetts.
Harry H. Bell, of New Jersey.
Archer K. Blood, of Maryland.
Robert A. Brand, of Connecticut.
Robert W. Dean, of Illinois.
Harold E. Hall, of Utah.
Theo E. Hall, of Virginia.
Paul W. Hallman, of Virginia.
L. Douglas Heck, of Maryland.
David E. Mark, of New York.
Ralph J. McGuire, of Texas.
Robert H. Miller, of Washington.
Chris G. Petrow, of Nebraska.
Peter J. Skoufis, of Maine.
Richard L. Sneider, of New York.
Sidney Sober, of Pennsylvania.
Wells Stabler, of Connecticut.
Sidney Weintraub, of Maryland.

Foreign Service officers of class 2:

Neil C. McManus, of New Jersey.
William D. Toomey, of North Dakota.

Foreign Service officers of class 2 and consular officers of the United States of America:

Hugh M. Adamson, of Ohio.
John A. Baker, Jr., of Connecticut.
Konrad Bekker, of Kentucky.
Edward T. Brennan, of Massachusetts.
Robert R. Brungart, of Maryland.
William H. Bruns, of California.
Thompson R. Buchanan, of Maryland.
William R. Crawford, Jr., of Pennsylvania.
Oliver S. Crosby, of Washington.
Edwin D. Crowley, of New Jersey.
Lee F. Dinsmore, of Maryland.
Stephen Duncan-Peters, of Florida.
Benjamin A. Fleck, of Maryland.
David L. Gamon, of California.
Walker Givan, of the District of Columbia.
James C. Haahr, of Minnesota.
John H. Holdridge, of California.
Thomas D. Huff, of Indiana.
Francis X. Lambert, of Massachusetts.
John C. Leary, of Virginia.
W. J. Lehmann, of Missouri.
David J. S. Manbey, of California.
John E. Mellor, of Connecticut.
Michael H. Newlin, of Florida.
Frank V. Ortiz, Jr., of New Mexico.
Stephen E. Palmer, Jr., of Maryland.
Peter Roberts, of California.
William A. Root, of Maryland.
Joseph S. Sagona, of Maryland.
Lubert O. Sanderhoff, of California.
William C. Sherman, of Illinois.
G. Alonzo Stanford, of Michigan.
Monteagle Stearns, of California.
Charles R. Tanguy, of Maryland.
Vladimir I. Toumanoff, of New Hampshire.
Donald R. Toussaint, of California.
Richard D. Vine, of California.
Milton C. Walstrom, of Maryland.

Foreign Service officers of class 3:

Gordon R. Beyer, of Maryland.
Carroll Brown, of Florida.
Robert S. Gershenson, of Pennsylvania.
Melvin H. Levine, of Massachusetts.
Roy C. Nelson, of Arizona.
John M. O'Grady, of California.
Donald E. Rau, of Florida.

John E. Ray, Jr., of Virginia.
John D. Rendahl, of Minnesota.
Michael Sterner, of New York.
Marshall W. Wiley, of Illinois.

Foreign Service officers of class 3 and consular officers of the United States of America:

Dwight R. Ambach, of Rhode Island.
J. Bruce Amstutz, of Massachusetts.
James H. Ashida, of Washington.
Robert S. Barrett IV, of Florida.
Oler A. Bartley, Jr., of Delaware.
Miss Helene A. Batjer, of Nevada.
John T. Bennett, of California.
David A. Betts, of New York.
Charles W. Bray III, of Texas.
Robert J. Carle, of California.
Robert W. Chase, of Maine.
Miss Mary T. Chiavarini, of Connecticut.
James C. Curran, of Massachusetts.
Walter L. Cutler, of Maine.
M. Gordon Daniels, of Texas.
Allen C. Davis, of Tennessee.
Francis De Tarr, of California.
Robert S. Dillon, of the District of Columbia.
Lawrence S. Eagleburger, of Wisconsin.
Stockwell Everts, of New York.
George Falk, of the District of Columbia.
Edward B. Fenstermacher, of Pennsylvania.
Glen H. Fisher, of Indiana.
Howard V. Funk, Jr., of New York.
Mark J. Garrison, of Indiana.
Roderick N. Grant, of California.
Brandon H. Grove, Jr., of New Jersey.
Malcolm P. Hallam, of South Dakota.
Lucian Heichler, of Virginia.
J. William Henry, of Arizona.
Roger P. Hipskind, of Illinois.
Edward C. Howatt, of Virginia.
William R. Jochimsen, of California.
Adolph W. Jones, of Tennessee.
William Kelley, of Florida.
Lawrence J. Kennon, of California
Barrington King, Jr., of Georgia.
Dennis H. Kux, of New York.
Peter W. Lande, of New Jersey.
Myron Brockway Lawrence, of Oregon.
Samuel S. H. Lee, of the District of Columbia.
Robert A. Lewis, of Connecticut.
Eric G. Lindahl, of Michigan.
Vernon D. McAninch, of Texas.
Francis P. McCormick, of California.
Noble M. Melencamp, of Kansas.
Alan G. Mencher, of New York.
Edwin H. Moot, Jr., of Illinois.
William D. Morgan, of Virginia.
John Patrick Mulligan, of California.
Leonardo Neher, of Illinois.
Joseph B. Norbury, Jr., of Arkansas.
Robert B. Oakley, of Louisiana.
George W. Phillips, of Florida.
George B. Roberts, Jr., of Maryland.
James D. Rosenthal, of California.
Robert E. Rosselot, of Virginia.
Charles E. Rushing, of Illinois.
Peter Sebastian, of Florida.
Theodore Sellin, of New Hampshire.
David E. Simcox, of Kentucky.
Thomas W. M. Smith, of Maine.
Roger W. Sullivan, of Massachusetts.
Robert C. Texido, of Rhode Island.
Miss Elizabeth B. Tolman, of New Hampshire.
James R. Wachob, of the District of Columbia.
Leland W. Warner, Jr., of Kansas.
Miss Dorothy E. Weihrauch, of Florida.
Robert E. White, of Massachusetts.
Albert L. Zucca, of Virginia.

Foreign Service officers of class 4:

Natale H. Bellocchi, of New York.
William D. Boggs, of West Virginia.
A. Donald Bramante, of New York.
Geryld B. Christianson, of Minnesota.
Thomas C. Colwell, of California.
Trusten Frank Crigler, of Arizona.
James M. Ealum, of California.
James R. Falzone, of Massachusetts.
James Ferrer, Jr., of California.
William H. Hallman, of Texas.
Paul J. Hare, of the District of Columbia.
M. Bruce Hirshorn, of Pennsylvania.
John W. Holmes, of Massachusetts.
Dee Valentine Jacobs, of Utah.
Robert E. Kaufman, of the District of Columbia.
Richard N. Kilpatrick, of South Carolina.
Clint A. Lauderdale, of California.
Harlan G. Moen, of the District of Columbia.
John H. Moore, of the District of Columbia.
Joseph K. Newman, of Florida.
Patrick T. O'Connor, of New York.
Robert P. Paganelli, of New York.
Ross C. Parr, of Florida.
Ernest H. Preeg, of New York.
John Hall Rouse, Jr., of Maryland.
Carl W. Schmidt, of New Jersey.
Lester P. Slezak, of Pennsylvania.
Linwood R. Starbird, of Maine.
Ralph W. Stephan, Jr., of Ohio.
Gerald M. Sutton, of California.
John A. Warnock, of California.
Keith W. Wheelock, of Pennsylvania.
Robert T. Willner, of Connecticut.
Warren Zimmermann, of the District of Columbia.

Foreign Service officers of class 4 and consular officers of the United States of America:

Morton I. Abramowitz, of Massachusetts.
Rodney E. Armstrong, of California.
Miss Edna H. Barr, of Ohio.
Joseph Basile, of New Jersey.
Roland A. J. Berardo, of Rhode Island.
Jay H. Blowers, of Florida.
Wesley D. Boles, of California.
William E. Breidenbach, of New York.
Frederick Z. Brown, of Pennsylvania.
Robert D. Collins, of California.
John James de Martino, of the District of Columbia.
Richard A. Dwyer, of Indiana.
Miss Regina Marie Eltz, of Alabama.
Richard W. Faville, Jr., of California.
John A. Ferch, of Ohio.
Bruce A. Flatin, of Minnesota.
Edgar F. Garwood, Jr., of Florida.
Harry B. Glazer, of Ohio.
Leopold Gotzlinger, of Ohio.
John O. Grimes, of Alabama.
Howard R. Gross, of Texas.
Mrs. Winifred T. Hall, of New Jersey.
Charles R. Hartley, of the District of Columbia.
Thomas J. Hirschfeld, of New York.
Samuel M. Janney, Jr., of Virginia.
Miss Katherine Lee Kemp, of Maryland.
Paul L. Laase, of Nebraska.
Mark C. Lissfelt, of Pennsylvania.
Joseph P. Lorenz, of Virginia.
Hugh Cooke MacDougall, of New York.
William H. Mansfield III, of Connecticut.
James A. Mattson, of Minnesota.
Robert W. Maule, of Washington.
Sherrod B. McCall, of Illinois.
David W. McClintock, of California.
William F. McRory, of Georgia.
Donald F. Meyers, of Wisconsin.
William H. Mills, of California.
André J. Navez, of Massachusetts.
Oscar J. Olson, Jr., of Texas.
Robert K. Olson, of Minnesota.
Miss Alison Palmer, of New York.
Edward L. Peck, of California.
Nicholas Platt, of Virginia.
Dale M. Povenmire, of Ohio.
Russell O. Prickett, of Minnesota.
Charles T. Prindeville, Jr., of Illinois.
William T. Pryce, of Pennsylvania.
Kenneth N. Rogers, of Florida.
David Rowe, of Maryland.
Frank M. Schroeder, of Michigan.
Arthur P. Shankle, Jr., of Texas.
Clint E. Smith, of California.
Miss Elaine Diana Smith, of Illinois.
Joseph L. Smith, of Indiana.
Robert W. Smith, of Missouri.
Peter Solmssen, of Pennsylvania.
Frederic N. Spotts, of Massachusetts.
James Stromayer, of Illinois.
John J. Sullivan, of Massachusetts.
Charles H. Thomas II, of New Hampshire.
Matthew H. Van Order, of Minnesota.
Louis Villalovos, of California.
Donald B. Wallace, Jr., of Michigan.
Ronald A. Webb, of California.
Henry C. Wechsler, of Ohio.
Richard L. Williams, of Pennsylvania.
James P. Willis, Jr., of California.
Dawson S. Wilson, of Florida.
Michael van Breda Yohn, of Connecticut.

Foreign Service officers of class 5:

Laurence Desaix Anderson, Jr., of Mississippi.
Charles H. Barr, of Washington.
Samuel B. Bartlett, of Massachusetts.
J. Peter Becker, of Pennsylvania.
Lee S. Bigelow, of Texas.
David E. Biltchik, of New York.
Eli William Bizic, of Texas.
Henry Clay Black II, of Illinois.
William T. Breer, of California.
Charles F. Brown, of Nevada.
Walter M. Cadette, of New York.
Daniel H. Clare III, of New York.
Marion V. Creekmore, Jr., of Tennessee.
Rolfe B. Daniels, of California.
Michael A. Davila, of Texas.
Edmund T. DeJarnette, Jr., of Virginia.
Edward Knapp Dey, of New York.
Edward P. Djerejian, of New York.
Don J. Douchi, of New Jersey.
Clarke N. Ellis, of California.
Donald C. Ellson, of Indiana.
Charles Edward Emmons, of California.
Henry A. Engelbrecht, Jr., of Virginia.
Joseph G. Fandino, of Florida.
Robert W. Farrand, of New York.
Robert A. Flaten, of Minnesota.
Patrick J. Flood, of Ohio.
John D. Folger, of the District of Columbia.
Arthur M. Giese, of Mississippi.
Lewis Girdler, of Connecticut.
James J. Gormley, of New York.
Allen S. Greenberg, of Virginia.
William H. Gussman, of New York.
Cord D. Hansen-Sturm, of New York.
Richard Harding, of Michigan.
Douglas James Harwood, of Connecticut.
John H. Hawes, of New Jersey.
Stephen J. Hayden, of Oregon.
Richard H. Imus, of California.
Alden H. Irons, of Massachusetts.
David Bruce Jackson, of California.
Leon M. Johnson, Jr., of Colorado.
Louis E. Kahn, of California.
William P. Kelly, of Pennsylvania.
David T. Kenney, of the District of Columbia.
Brian S. Kirkpatrick, of Virginia.
H. Alan Krause, of Illinois.
Donald Kreisberg, of New York.
Edward Kreuser, of Pennsylvania.
Norman C. LaBrie, of Massachusetts.
Denis Lamb, of Ohio.
George H. Lane, of Illinois.
Roscoe C. Lewis III, of the District of Columbia.
Peter J. Lydon, of Massachusetts.
Joel Evan Marsh, of New York.
Gary L. Matthews, of Missouri.
Robert Allan Mautino, of California.
Donald Floyd McConville, of Minnesota.
Joseph D. McLaughlin, of Kansas.
James Hamilton McNaughton, of New York.
Robert J. Montgomery, of Texas.
Joseph V. Montville, of New Jersey.
Bert C. Moore, of Ohio.
Mrs. Lillian Peters Mullin, of Illinois.
Glenn A. Munro, of California.
Robert P. Myers, Jr., of California.
Thomas M. T. Niles, of Kentucky.
Robert F. Ober, Jr., of Illinois.
Joseph T. O'Brien, of Florida.
Geoffrey Ogden, of California.
Robie M. H. Palmer, of Vermont.
William Polik, of New York.
Karl S. Richardson, of Nebraska.
Alan D. Romberg, of Maryland.

Ernest C. Ruehle, of Missouri.
Robert M. Ruenitz, of California.
Charles B. Salmon, Jr., of New York.
Cornelius D. Scully III, of Virginia.
Raymond W. Seefeldt, of Illinois.
William Seth Shepard, of New Hampshire.
Thomas W. Simons, Jr., of the District of Columbia.
Keith C. Smith, of California.
Rufus Grant Smith, of New Jersey.
John P. Spillane, of Illinois.
Joel S. Spiro, of Pennsylvania.
Walter E. Stadtler, of New York.
John P. Steinmetz, of California.
Donald E. J. Stewart, of the District of Columbia.
William Morgan Stewart, of Maryland.
Peter O. Suchman, of New York.
Miss Barbara F. Sweeney, of the District of Columbia.
Dirck Teller, of Maryland.
John B. Thompson, of Pennsylvania.
Charles H. Twining, Jr., of Maryland.
William J. Waller, of California.
Barclay Ward, of Connecticut.
Walter Frederick Weiss, of California.
James W. Wheatley, of Tennessee.
Olin S. Whittemore, of Michigan.
Milton J. Wilkinson, of California.
Theodore S. Wilkinson III, of the District of Columbia.
John J. Youle, of New York.
Murray David Zinoman, of New York.

Foreign Service officers of class 5 and consular officers of the United States of America:
David L. Aaron, of California.
Carl A. Bastiani, of Pennsylvania.
Gordon S. Brown, of California.
Richard G. Brown, of Massachusetts.
James A. Budeit, of Nebraska.
Pierce K. Bullen, of Florida.
Miss Ann P. Campbell, of Connecticut.
Glenn Richard Cella, of New York.
William P. Clappin, of Virginia.
Harvey T. Clew, of Connecticut.
Robert P. Coe, of Massachusetts.
Michael V. Connors, of Washington.
William S. Diedrich, of New York.
Felix Dorough, of Texas.
Richard A. Dugstad, of Virginia.
Edward M. Featherstone, of Pennsylvania.
Harvey Fergusson, of New Jersey.
Gregory Gay, of Ohio.
Robert P. Goold, of California.
Herbert A. Hoffman, of Pennsylanvia.
James F. Hughes III, of New York.
James J. Johnston, of Arkansas.
William F. Kingsbury, of New Jersey.
Miss Claretta L. Krueger, of Illinois.
Edward J. Maguire Jr., of California.
Miss Carole A. Millikan, of Indiana.
William C. Mithoefer, Jr., of Ohio.
David T. Morrison, of Michigan.
James P. Murphy, of the District of Columbia.
James Ozzello, of Washington.
Edward B. Pohl, of Louisiana.
Lyman W. Priest, of Arkansas.
Edward Michael Sacchet, of Maryland.
Norman T. Shaft, of Minnesota.
Charles F. Swezey, of New York.
Rush W. Taylor, Jr., of Texas.
Archelaus R. Turrentine, of Arkansas.
William A. Weingarten, of New York.

Foreign Service officers of class six:
Edward James Alexander, of Colorado.
William E. Barreda, of Texas.
George T. Basil, of New York.
Charles L. Bell, of Ohio.
David L. Blakemore, of New York.
J. Richard Bock, of Washington.
David E. Brown, of Pennsylvania.
G. Gardiner Brown, of Ohio.
Robert D. Brown, of Idaho.
Michael P. Canning, of North Dakota.
Edward A. Casey, Jr., of New Jersey.
Donald E. Crafts, of Georgia.
T. McAdams Deford, of Maryland.
Gordon J. DuGan, of the District of Columbia.
John A. Graham, of Washington.
Scott S. Hallford, of Tennessee.
Arthur H. Hughes, of Nebraska.
Donald E. Huth, of Virginia.
Richard L. Jackson, of Massachusetts.
M. Gordon Jones, of California.
Frank P. Kelly, of New Jersey.
Dennis W. Keogh, of West Virginia.
Stephen L. Lande, of New York.
Howard A. Lane, of Illinois.
Alan M. Lester, of Louisiana.
Stuart H. Lippe, of Michigan.
Peter S. Maher, of Illinois.
Gene B. Marshall, of New Hampshire.
Miss Elizabeth F. O'Brien, of the District of Columbia.
John E. Ormond, Jr., of Rhode Island.
Alan Parker, of Kansas.
Albert J. Planagan, of New York.
Bruce F. Porter, of Iowa.
Mark S. Ramee, of New York.
Wilson A. Riley, Jr., of Connecticut.
Miss Eleanor Wallace Savage, of California.
David L. Schiele, of California.
Michael M. Skol, of Illinois.
Seton Stapleton, of New Jersey.
Robert F. Starzel, of Colorado.
William W. Struck, of Kentucky.
James Tarrant, of California.
Miss Elizabeth R. Thurston, of Indiana.
Miss Elizabeth J. Townsend, of Connecticut.
Miss Judy Anne Uhle, of Illinois.
Anthony H. Wallace, of New York.
Miss Carol A. Westenhoefer, of Michigan.
James Alan Williams, of Virginia.

Foreign Service officers of class 6 and consular officers of the United States of America:
William J. Boudreau, of Massachusetts.
James L. Clunan, of Connecticut.
L. Selwyn Coates, of California.
Alexander G. Gilliam, Jr., of Virginia.
David E. Long, of Florida.
Ernest D. Oates, of California.
John F. Simmons, Jr., of the District of Columbia.
Thaddeus C. Trzyna, of California.
Frank Tumminia, of New York.
Miss Joanna W. Witzel, of California.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 12, 1968:

COPORATION FOR PUBLIC BROADCASTING

The following-named persons to be members of the Board of Directors of the Corporation for Public Broadcasting for the terms indicated which shall begin on the date of incorporation:

For a term of 2 years:
Roscoe C. Carroll, of California.
Saul Haas, of Washington.
Erich Leinsdorf, of Massachusetts.
John D. Rockefeller III, of New York.
Frank E. Schooley, of Illinois.

For a term of 4 years:
Joseph A. Beirne, of Maryland.
Michael A. Gammino, of Rhode Island.
Oveta Culp Hobby, of Texas.
Joseph D. Hughes, of Pennsylvania.
Carl E. Sanders, of Georgia.

For a term of 6 years:
Frank Pace, Jr., of Connecticut.
Robert S. Benjamin, of New York.
Jack J. Valenti, of the District of Columbia.
Milton S. Eisenhower, of Maryland.
James R. Killian, Jr., of Massachusetts.

HOUSE OF REPRESENTATIVES—*Tuesday, March 12, 1968*

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

The Lord is good to all; and His tender mercies are over all His works.—Psalm 145: 9.

Almighty God, Maker and Ruler of the World, Father of men and the source of all goodness and beauty, all truth and love, to Thee we turn for quiet from the noise of the world and for peace from the turmoil that rages about us.

Help us this day to accept our privileges with gratitude, our troubles with fortitude, and our responsibilities with fidelity. Deliver us from petty annoyances which disturb us and from petulant irritations which upset us.

Make us gloriously equal to our experiences and truly adequate for the task at hand to keep freedom for all, justice for all, and good will for all alive in our Nation and in our world.

In the name of Him who keeps men free and just and good, we pray. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment bills of the House of the following titles:

H.R. 2901. An act to designate the Oahe Reservoir on the Missouri River in the States of North Dakota and South Dakota as Lake Oahe; and

H.R. 12555. An act to amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 2516. An act to prescribe penalties for certain acts of violence or intimidation, and for other purposes; and

H.R. 15399. An act making supplemental appropriations for the fiscal year ending June 30, 1968, and for other purposes.

The message also announced that the Senate insist upon its amendments to the bill (H.R. 15399) entitled "An act making supplemental appropriations for the fiscal year ending June 30, 1968, and for other purposes," requests a conference with the House on the disagreeing vote of the two Houses thereon, and appoints Mr. HILL, Mr. HAYDEN, Mr. RUSSELL, Mr. ELLENDER, Mr. HOLLAND, Mr. BYRD of West Virginia, Mr. MUNDT, Mr. YOUNG of North Dakota, and Mr. JAVITS to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 536) entitled "An act to provide that the United States shall hold certain Chilocco Indian School lands at Chilocco, Okla., in